Annual Report 2009

Partnering with society and ordinary people

In the energy field, in the car, in the home

ITOCHU ENEX CO., LTD.

Fiscal Year Ended March 31, 2009

Contents

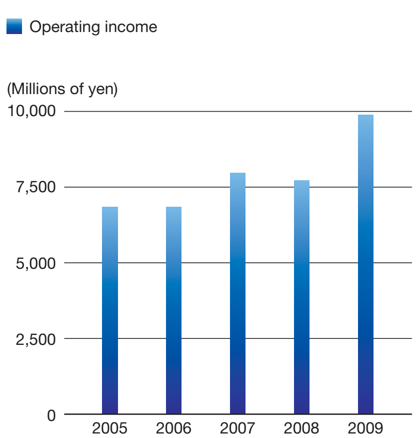
Cautionary Statements

Consolidated Financial Highlights

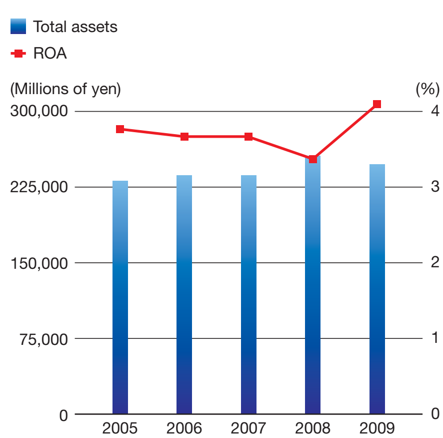
Years ended March 31	2005	2006	2007	2008	2009	2009
Results of Operations (Millions of yen)						(Thousands of U.S. dollars)
Net sales	635,230	771,894	886,484	1,093,752	1,164,708	11,856,948
Operating income	6,826	6,824	7,935	7,700	9,881	100,590
Net income (loss)	(4,083)	4,661	4,987	4,187	5,419	55,166
Financial Position at Year End (Millions of yen)						(Thousands of U.S. dollars)
Total assets	230,292	235,619	235,851	255,127	247,587	2,520,483
Total equity	72,889	78,245	82,349	83,708	90,886	925,237
Cash Flows (Millions of yen)						(Thousands of U.S. dollars)
Cash flows from operating activities	16,326	6,304	14,131	14,189	29,263	297,903
Cash flows from investing activities	(7,596)	(8,652)	(2,142)	(5,022)	(1,704)	(17,348)
Cash flows from financing activities	(11,133)	511	(5,525)	(8,804)	(24,839)	(252,865)
Cash and cash equivalents at end of year	28,031	26,364	33,297	33,909	43,219	439,978
Amounts per Share (Yen)						(U.S. dollars)
Net income (loss): Basic	(46.56)	49.70	55.04	45.65	52.44	0.53
: Diluted	—	49.64	55.03	45.65	—	—
Net assets	808.10	864.11	889.53	891.59	759.66	7.73
Ratios (%)						
ROE	(5.38)	6.17	6.24	5.13	6.35	
ROA	3.8	3.7	3.7	3.4	4.1	
Shareholders' equity ratio	31.65	33.21	34.60	32.06	35.85	
For Reference						
Number of employees	4,280	2,532	2,852	2,954	3,605	
[Others, average number of temporary employees]	[1,492]	[840]	[943]	[954]	[1,969]	

Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥98.23=U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2009.
2. Number of employees excludes personnel seconded by the Group but includes personnel seconded to it.
3. Diluted net income per share is not given for the year ended March 31, 2005, since although residual securities existed, net income per share was negative.
4. For the year ended March 31, 2007, the Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Statement No. 5, December 9, 2005) and Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Guidance No. 8, December 9, 2005) have been applied.

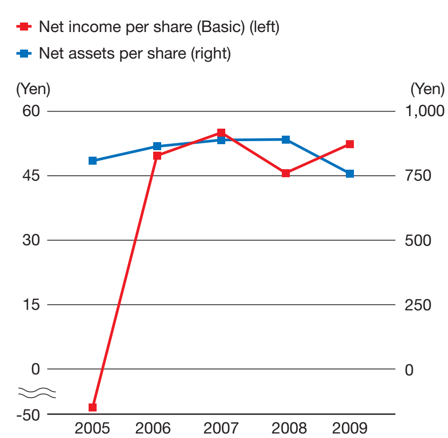
Operating Income



Total Assets and ROA



Amounts per Share



Continuing Groupwide reforms
to achieve the targets set forth
in the Core & Synergy 2010 medium-term business plan
amid the global economic crisis

Top Message

First of all, I would like to thank shareholders for their support of the Itochu Enex Group.

Despite the difficult business environment affected by a worldwide recession brought on by the global financial crisis triggered in the United States, the volatility in crude oil prices and a sharp decline in domestic demand for petroleum products, the Group endeavors to steadily carry out the dynamic growth strategies that are incorporated in its Core & Synergy 2010 medium-term business plan, which started in fiscal 2008, the year ended March 31, 2009, to achieve the key target of doubling the earnings of the Group.

We look forward to the continued support of our shareholders, customers and other stakeholders.

Akira Kodera
Representative Director and President
ITOCHU ENEX CO., LTD.

Corporate Philosophy

Partnering with society and ordinary people

In the energy field, in the car, in the home

Code of Conduct

Be Ethical

(Reliability and sincerity, creativity and flair, transparency and integrity)

A changing industry in a sudden worldwide recession

The Japanese economy in fiscal 2008, the year ended March 31, 2009, was entangled in the worldwide recession brought on by the financial crisis triggered in the United States, and Japan's real economy suffered from sluggish corporate performance and a drop in consumer spending.

In the fiscal year under review, the petroleum distribution industry experienced various issues including a temporary tariff rate, sharp rises and falls in crude oil prices, the reorganization of primary distributors and the implementation of a new pricing system. The supply–demand environment deteriorated for the industry with stronger trends toward apathetic attitudes to automobiles and increased saving by consumers as a result of the adverse effects from the rise in petroleum product prices, the general worsening of the management environment for corporations and the increasing consciousness of environmental protection. The LPG distribution industry, meanwhile, faced harsh business conditions due to a decline in demand as purchase prices had to be reflected in selling prices given record-high LPG import prices.

Initiatives in the first year of the Group's medium-term business plan

Fiscal 2008, during which the effects of a worldwide recession were widely felt, corresponded to the first year of the Core & Synergy 2010 medium-term business plan. This medium-term business plan outlines measures for future business reorganization and reinforcement with a medium-term perspective to address such issues as the stagnant growth in internal demand and intensifying competition with new growth strategies based on the favorable results achieved from the organizational structural reforms in the Creation 2008 medium-term vision while adapting to the changing business environment. In the first year of the plan, we achieved steady results by promoting large projects, which mainly focused on restructuring our business platform through the acquisition of new management resources, functions and business models.

Achievements in the first year of Core & Synergy 2010

▶ September 2008: Making Kohnan Fleet a wholly owned subsidiary

The Company and Kohnan Co., Ltd. (Kohnan), reached an agreement under which Itochu Enex made Kohnan Fleet Co., Ltd. (Kohnan Fleet), a Kohnan subsidiary, its wholly owned subsidiary by assuming the petroleum product sales business of Kohnan and all the shares of Kohnan Fleet. Kohnan Fleet commenced operations as an Itochu Enex Group company as of September 1, 2008. The Group intends to further expand its earnings platform by incorporating Kohnan Fleet's 139 service stations, which sell gasoil for common carriers and trucks, into its network of ENEX-affiliated car-life stations (CSs).

▶ October 2008: Energy Trade Division commenced operations

The Company assumed the domestic sales of petroleum products, the petroleum product trade business (i.e., the business for Japan-originated imports/exports) of ITOCHU Corporation and the petroleum product logistics business of ITOCHU Petroleum Japan Ltd., a wholly owned subsidiary of ITOCHU Corporation, which covers the chartering of ships for Japan-originated imports/exports, the supply of marine fuels, the tank leasing business and sales of lubricants. The newly established Energy Trade Division commenced operations as of October 1, 2008.

▶ April 2009: Established JAPAN GAS ENERGY CORPORATION, a new integrated LPG company

Jointly with JAPAN ENERGY Corporation and NISSHO PETROLEUM GAS CORPORATION, on April 1, 2009 the Company established JAPAN GAS ENERGY CORPORATION (JGE), a new company that will integrate the distribution and wholesale functions of LPG. This represents a powerful initial step toward the formation of an LPG business group that will have a comprehensive competitive edge through the transfer of the wholesale distribution for trucking firms, which was engaged in by the Group, to JGE in order to integrate and unify the business fields from procurement through to wholesale.

Increases in revenue and profit achieved despite a harsh operating environment

Regarding the operating results for the first year of the Core & Synergy 2010 medium-term business plan, although the overall industry suffered from sluggishness due to the decline in domestic demand, the sales volumes of fuel oils sold by the Group increased year over year as a result of the continuing "Quantitative expansion attended by qualitative improvements" strategy—up 6.3% for gasoline, up 6.6% for gasoil and up 44.4% for heavy oil. These increases were mainly supported by the unification of the trade business departments in October 2008, the affiliation of new service stations (SSs) and an increase in the number of new business partners. However, sales volume decreased 2.8% year over year for kerosene and 9.6% for LPG, reflecting the unusually warm winter and a drop in consumer confidence. As a result of these factors, operating income increased 28.3% to ¥9,881 million, net sales for the consolidated fiscal year under review totaled ¥1,164,708 million, up 6.5% from the previous fiscal year, ordinary income increased 23.1% year over year to ¥10,227 million and net income rose 29.4% to ¥5,419 million. We maintained an annual dividend per share of ¥16 for the year under review, ¥8 of which was an interim dividend.

Assessment of operating results and prospects for the coming fiscal year

In the first year of the Core & Synergy 2010 plan, the Group's operating results were below set targets due to such unexpected external factors as the unprecedented deterioration of the business environment. Even so, we achieved increases in revenue and profit. Although it was anticipated that the current fiscal year, ending March 31, 2010, would start under difficult circumstances, the Group regards this second year of the medium-term management plan as a period to unify the new management resources acquired in the first year, reinforce our basic corporate strengths and extend new functions by demonstrating the quantitative effects of synergies. Under this positioning in the second year of the plan, the Group will restructure its business platform and establish a growth trajectory. At the same time, the Group will endeavor to achieve its key target of doubling the earnings of the Group by aggressively promoting Groupwide cost reductions and efficient asset management activities.

Environmental changes regarding the medium-term business plan

	Initial forecast	**Current situation**	Difference
Domestic real economic growth rate	+1.9% (FY2007)	**-3.3% (FY2009)**	-5.2%
WTI crude oil	U.S.$100.98/bbl (on April 1, 2007)	**U.S.$58.02/bbl (on May 13, 2009)**	-U.S.$42.96/bbl -42.5%
Exchange rate	¥100.84/U.S.$1 (on April 1, 2007)	**¥96.89/U.S.$1 (on May 13, 2009)**	-¥3.95/U.S.$1 -4.1%
Domestic demand for petroleum products (Forecast by the Agency for Natural Resources and Energy)	218,479 thousand KL (FY2007)	**191,126 thousand KL (forecast for FY2009)**	-27,353 thousand KL -12.5%

Progress of the medium-term business plan

(Millions of yen)

	Actual results for FY2008	Plan for FY2009	**Projection for FY2009**	Comparison with the Plan for FY2009	**Plan for FY2010**
Net sales	**1,164,708**	1,780,000	**1,180,000**	66%	**1,800,000**
Operating income	**9,881**	13,500	**10,200**	76%	**15,500**
Ordinary income	**10,227**	13,800	**10,200**	74%	**15,900**
Net income	**5,419**	7,000	**5,500**	79%	**8,000**
Total assets	**247,587**	323,000	**239,400**	74%	**330,000**

At a Glance

Industrial Material Division

The Division delivers energy products including petroleum products and industrial materials as an industrial energy and materials expert.

Furthermore, the Division makes proposals on solutions for energy conversion with lower environmental burden with the aim of creating an industrial infrastructure for a new era.

Car-Life Division

The Car-Life Division sells gasoline, kerosene and other fuels to 2,200 service stations throughout Japan. Itochu Enex is Japan's largest energy wholesaler with a trading firm background.

The Car-Life Division offers a complete range of services for drivers by promoting the CS strategy with the motto of "from service station to car-life station."

Energy Trade Division

This Division engages in the import/export of Japan-originated petroleum products for overseas markets.

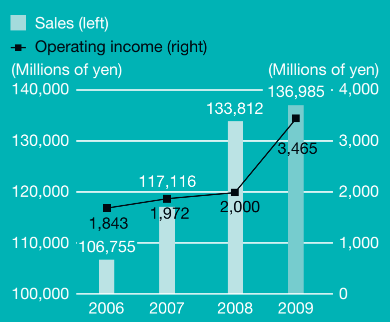
The Division also engages in the global deployment of the petroleum product logistics business covering the chartering and navigation of ships, the domestic sales of petroleum products, the import sales of marine fuels, purchases/sales of lubricants and the operation of oil storage facilities.

Home-Life Division

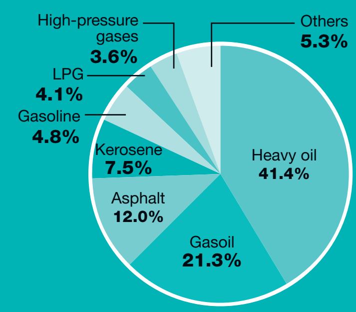
This Division delivers eco-friendly LPG and city gas to one million households and corporations nationwide.

Through its *Kurashi-no-Mori* service, the Division offers products and services for the kitchen, the bathroom and the home in general to help customers realize affluent and comfortable lives.

Sales and operating income



Sales composition



Highlighted Data

Corporate customers
3,500
companies throughout Japan

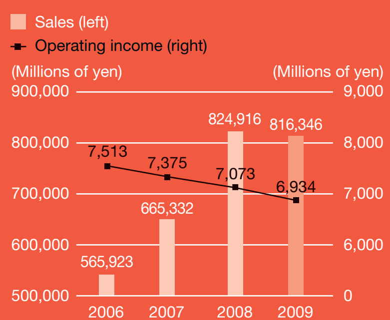
Sales of asphalt
14%
domestic market share

Inland marine fuels
15%
domestic market share

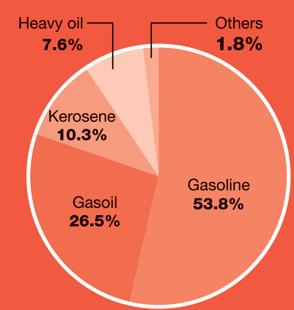
Urea solution for urea SCR systems
Approx.
20%
domestic market share

(As of March 31, 2009)

Sales and operating income



Sales composition



Highlighted Data

The largest number of CSs for a company with a trading firm background

Enex-affiliated CSs
2,200
stations

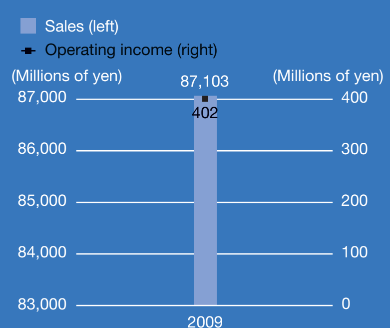
Car Enex Private-Brand CSs
410
stations

Sales volume of gasoline
6%
share of domestic gasoline sales

Car Enex *Itsumo* Card
More than
460
thousand members

(As of March 31, 2009)

Sales and operating income



Operating results of the Energy Trade Division in fiscal 2008

The Company assumed the petroleum product trade business of ITOCHU Corporation and the petroleum product logistics business of ITOCHU Petroleum Japan Ltd., and started operation as the Energy Trade Division on October 1, 2008. Accordingly, the operating results of the Division relate only to its business activity for the second half of fiscal 2008, the year ended March 31, 2009.

Highlighted Data

Total volume at the terminals
178
thousand KL

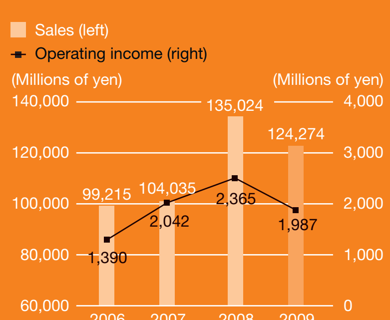
Annual volume of marine fuels handled
2.8
million tons

Total navigation tonnage/ Total freight volume
550
thousand tons

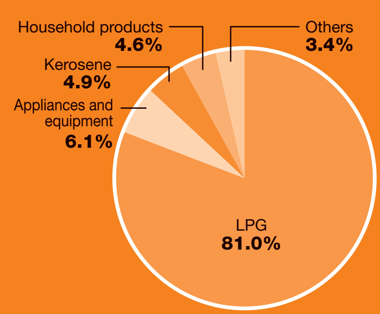
Lubricant volume handled
13
thousand tons

(As of March 31, 2009)

Sales and operating income



Sales composition



Highlighted Data

Presence in communities across Japan
1
million households

Network of retail outlets throughout Japan
1,600
stores

Sales volume of auto gas
14%
domestic market share

(As of March 31, 2009)

Industrial Material Division

Major Products and Services

Fuels and materials to support industries and society

The Division sells the energy and materials necessary to help support both industrial vitality and society.

- **Heavy oils A and C**
  Industrial fuels that offer excellent cost performance
- **LPG**
  Fuel that excels in eco-compliance and cost effectiveness
- **Gasoil**
  Fuel for the diesel trucks that are essential for contemporary logistics services
- **Asphalt**
  Industrial material indispensable to building roads and other elements of social infrastructure

Environment-oriented fuels, systems and services

The Division develops various related businesses in response to the needs of corporate consumers who are active in promoting environmental preservation measures.

- **LNG**
  We offer this clean form of industrial energy to meet the evolving needs of consumers.
- **High-pressure gases**
  We provide high-pressure gases such as oxygen, nitrogen, hydrogen and argon in a variety of fields.
- **Cogeneration systems**
  Cogeneration systems help improve energy efficiency by recovering exhaust heat produced during the generation of power and using it to produce heat energy.
- **Urea solution AdBlue, a material for urea SCR systems**
  The urea SCR systems are designed to efficiently remove NOx from the exhaust gas of diesel vehicles.

Establishment of a New Organization

The Alternative Energy Business Development Office

Accelerate commitment to alternative energy including the commercialization of photovoltaic power generation

NEWS

Alternative Energy Business Development Office established to reinforce our sales system

The Alternative Energy Development Office—previously mainly engaged in R&D operations—was reorganized as a new organ with a sales function within the Industrial Material Division in October 2008 as the Alternative Energy Business Development Office under the Energy Solution Department. The Office will proactively promote the commercialization of alternative energy such as photovoltaic power generation and biomass, which have become increasingly popular.

(Please refer to pages 12 and 13 for the Company's alternative energy business concept.)

Full-fledged operating system toward the commercialization of new businesses

Alternative Energy Development Office (R&D) → Alternative Energy Business Development Office (Commercialization via reinforced sales)

Business Focus

The highly promising high-pressure gas business with growing demand in a broad range of business fields

High-pressure gases such as oxygen, nitrogen, hydrogen, argon and gas for semiconductors play important roles in diverse industrial fields ranging from steel, chemistry and electronics to foodstuffs and healthcare. To cater to these varied industrial needs, Itochu Industrial Gas Co., Ltd., a member of the Itochu Enex Group, aggressively engages in the industrial gas business. It delivers high-quality, high-pressure gases, which are essential for future lifestyles and society, through its community-based network and safe and speedy distribution system.

Web site of Itochu Industrial Gas Co., Ltd. **http://www.iig.co.jp/**

Growth strategy under Core & Synergy 2010

Achieving the top share for certain product categories of industrial petroleum products

- Increase sales of gasoil for common carriers, marine fuels and asphalt

Reinforcing sales of value-added products in the industrial material business

- High-pressure gases: Establish a sales network for promising high-growth markets such as industrial gases, medical-use gases and other gases
- Urea solution AdBlue for urea SCR systems: Ensure a domestic market share of 20% in the market for common carriers

Car-Life Division

Major Products and Services

Fuels for vehicles, etc.

The Division sells petroleum products at directly managed and Enex-affiliated CSs throughout Japan.

- **Gasoline**
- **Kerosene**
- **Gasoil**
- **Other oils**

Promotion of the evolving CS strategy

We are extending a full range of services for car owners to ensure a convenient and comfortable car lifestyle for local residents under the concept of “management catering to customers’ automobile needs.”

- **Super Car Collection**
  The Super Car Collection is an integrated sales support system to streamline operations—buying and selling, vehicle inspection and servicing, and light bodywork.
- **Touch-up *Yasubei* light bodywork service**
  This light bodywork shop allows customers to easily pay a quick visit when filling up their car or getting it washed.
- **Mr. Dependable vehicle inspection and servicing**
  This service is designed to be offered by designated vehicle inspection stations and is well suited to the CS format.
- **Car Enex *Itsumo* Card**
  A wide variety of services such as discounts on gas prices are popular.
- **Fuel card system for corporations**
  Efficient management is available for fuel consumption for commercial vehicles using our CSs.
- ***Itsumo* Rent-a-Car used car business**
  A new rental car business has increased the use of CSs by customers.

NEW

NEWS

Itsumo Rent-a-Car business using preowned cars started

People’s primary automotive requirement has changed from “owning” to “renting according to a purpose.” The *Itsumo* Rent-a-Car service allows users to reserve a variety of vehicles at affordable prices from a nearby CS by accessing the Internet from their PCs or mobile phones. The number of CSs where the service is available by optimizing the use of CS-held preowned cars is expected to increase to 150 stores in fiscal 2009 and to 500 stores in five years.

For details, please view the Web site
http://www.itsumo-rent.com/index.html

Business Focus

The inclusion of Kohnan Fleet as a member of the Group is expected to raise sales of gasoil to corporate customers

Kohnan Fleet, which mainly sells gasoil for common carriers and freight vehicles, commenced operations as a wholly owned subsidiary of the Itochu Enex Group on September 1, 2008. Thus, we intend to expand the earnings platform of the Groupwide network by reinforcing sales of gasoil for corporations, with the addition of CSs that were operated by Kohnan Fleet.

Reinforcement of the directly managed CS network

213	+	142
Number of affiliated CSs in the Itochu Enex network of directly managed CSs		Number of affiliated CSs in Kohnan Fleet’s CS network

(As of March 31, 2009)

Growth strategy under Core & Synergy 2010

Strengthening and expanding the network of affiliated CSs toward achieving a targeted aggregate market share of 10% for gasoline, kerosene and gasoil

- Reinforce the CS network and improve station management on an ongoing basis
- Increase sales of gasoil for trucking firms
- Establish a retail business for our value-added CS networking efforts (e.g., *Itsumo* Rent-a-Car)

Energy Trade Division

Major Products and Services

Trading of petroleum products

The Division conducts imports/exports of Japan-originated petroleum products for overseas markets and domestic sales while pursuing optimally balanced operations between exports and the domestic supply–demand relationship.

Chartering and navigation of ships

The Division engages in the chartering and navigation of oil tankers that transport the petroleum products of the overall Itochu Group. Total shipping/freight space is approximately 550,000 dead-weight tonnage (DWT), and the annual logistics volume amounts to 12,000,000 tons.

Marine fuels and lubricants

The Division has established a system to ensure the stable provision of 2,800,000 tons annually and provides marine fuels and lubricants at major ports throughout the world.

- **Heavy oil**
- **Gasoil**
- **Lubricants**

Tank leasing

The Division has five storage terminals in Japan including those at Etajima, Hiroshima and Yaizu, Shizuoka. The terminals have obtained ISO 14001 certification and are managed in a locally and environmentally harmonized manner.

NEWS

Shipping Operation Section established to strengthen navigation operation

Tanker Department
Chartering Section
IPC Business Solution

To the new system

Tanker Department
Chartering Section
Chartering and sales activities
Shipping Operation Section
Operation of vessels

The Company acquired IPC Business Solution Co., Ltd., one of its subsidiaries, through merger in April 2009 and established the Shipping Operation Section. The new section mainly engages in navigating vessels, and its operations include giving navigation-related instructions to related tankers and management functions such as various arrangements and adjustments of receipts/payments pertaining to ship navigation. The section wholly assumes the navigation management of all petroleum product tankers chartered by any of the ITOCHU Group companies and aims to ensure the safe and secure navigation of such vessels.

Business Focus

Efficient operation of storage tanks by harnessing five domestic terminals


Etajima Terminal

The management and operation of tanks at five domestic terminals (with a total volume of 178,000 KL) have been integrated into the Energy Trade Division since April 2009. Consequently, the Division handles not only petroleum products (gasoline, kerosene, gasoil and heavy oil) but also lubricants and chemical products and maximizes the functions and location characteristics of the respective terminals. Furthermore, the Division conducts timely tank operations in the pursuit of high efficiency to support the sales strategy of each area within the Group.

Growth strategy under Core & Synergy 2010

Expand earnings through coordination between domestic and overseas operations

- We will strengthen operations with measures such as expanding the export/import business, reinforcing overseas sales of fuel oils for vessels, ensuring stable earnings from the ship navigation business and establishing a tank network throughout Japan.
- While paying close attention to the expanding demand in emerging countries, especially in Asia, and against the backdrop of a overwhelmingly high market share regarding real demand in Japan, we will pursue optimally balanced operations between exports and the domestic supply–demand relationship, as well as the sound development of the domestic logistics structure.

Home-Life Division

Major Products and Services

LPG-based, energy-related businesses

We deliver easy-to-use energy with less environmental impact such as LPG to customers throughout the nation.

▶ **Household and commercial services of LPG**

We supply LPG to one million households and corporations including restaurants and other eateries.

▶ **City gas (LNG)**

Our Nakatsu-Gas Branch in Oita Prefecture supplies city gas to customers from large-scale customers to ordinary households.

▶ **LPG vehicles and auto gas**

We promote the spread of eco-friendly LPG vehicles based on the sales activity of advanced LPG vehicles.

***Kurashi-no-Mori* business that enhances the comfort of daily lives**

We offer a variety of information, products and services that are useful in crafting lifestyle-related proposals to ensure eco-friendly, comfortable households.

▶ ***Kurashi-no-Mori* service**

We offer a variety of information in pursuit of contemporary themes that address more eco-friendly products and new lifestyles with energy/eating/health-focused themes.

▶ ***Kurashi-no-Mori* Asclass Card**

A variety of services are available with this credit card, including a convenient credit function, the utilization of 2,000 facilities throughout Japan for preferential treatment and a telephone consulting service for pensions, nursing care and child care.

▶ **Asclass Reform**

We provide a nationwide home renovation service that offers total services to customers from consulting and design to the execution of renovation work with the concept of safety and comfort.

NEWS >>>

Japan Gas Energy commenced operations

Assuming the role of integrating the distribution and wholesale functions of LPG, JAPAN GAS ENERGY CORPORATION will develop its business activities mainly in the retail field in cooperation with the distributor network established by the Home-Life Division. The enhanced collaboration will contribute to establishing an integrated production and distribution system ranging from wholesale to retail for the LPG sales of the Group. Consequently, the Division aims to strengthen the competitive edge of the relevant businesses through more efficient operation of the integrated supply system.

Web site of JAPAN GAS ENERGY
http://www.j-gasenergy.co.jp

Business Focus

Asclass Reform home renovation service, as well as photovoltaic and household power generation initiatives

Web site of Asclass Co., Ltd.
http://www.asclass.net

Jointly with Sinanen Co., Ltd., and ECORE Co., Ltd., the Company started operation of Asclass Co., Ltd., a renovation support firm. We propose "Safety-ensured housing renovation to start with carefully catered services (repair and maintenance)" through the combination of reliable, community-based LPG operators and the Asclass-affiliated construction companies that have a broad range of proposal and technical capabilities. Furthermore, with the theme of "Providing comfortable, environmentally friendly living," we are active in promoting photovoltaic power generation, ECOWILL cogeneration systems and ENEFARM residential fuel cell cogeneration systems.

Growth strategy under Core & Synergy 2010

Toward realizing an integrated production and distribution system by a gas energy-based corporate group

- Realize an integrated production and distribution system that covers the upstream and downstream fields by acquiring a next-generation distribution function
- Strengthen wholesale sales by achieving horizontal collaboration in the pursuit of a rationalized distribution function
- Select and concentrate retail trading areas for the purpose of specializing regional shares

Toward a new era of clean energy

Given the rising need for responsive actions to cope with global warming worldwide, diverse activities to reduce CO_2 emissions are growing in importance and spreading in many areas of Japanese society. The underlying trend toward a low-carbon society has been accelerating, reflecting people's growing awareness of the environment throughout society. Consequently, people are increasingly calling for clean energy with fewer or no CO_2 emissions.

Requirements for useful energy

Any energy source must meet certain conditions such as convenience (a well-established distribution infrastructure), stability (the ability to select the most easy-to-use fuel according to applications) and economy (feasible at low prices) to be truly useful in daily lives and contemporary society apart from any environmental consideration. Petroleum products satisfy these requirements. Meanwhile, although alternative clean energy sources do not yet meet all of these requirements, we will take initiatives toward the realization of a low-carbon society.

Conventional requirements for energy

Convenience | Stability | Economy

Petroleum energy has been an excellent option with advantageous features.

+

New requirement for future energy

Environmental features

Clean energy

Alternative Energy

The Itochu Enex Group Is Commercializing Clean Energy to Meet the Needs of the Environmental Era

Alternative energy business of the Itochu Enex Group

Positioning

Under the corporate philosophy of "Partnering with society and ordinary people," the Itochu Enex Group delivers different forms of energy to customers and is active in the commercialization of clean energy in response to popular demand. The Group intends to deliver clean alternative energy while taking into account the essential requirements (i.e., convenience, stability, economy and environmental features) and continuing to ensure the stable delivery of petroleum products, the mainstay form of energy in our society.

Positioning of the alternative energy business

Fossil fuels including petroleum products will remain the most important energy in the near future. We should move toward an optimal balance of energy forms including alternative energy in response to social trends and people's lifestyles.

Petroleum energy + **Alternative energy**

Convenience | Stability | Economy | Environmental features

Effective utilization of management resources

The Group boasts a national network of community-based affiliated distributors and highly skilled employees who have abundant energy-related expertise and professional qualifications in its respective core businesses. In addition, many corporate customers of different industries and ordinary households support the Group through the use of its products and services. Taking advantage of these management resources, we will move ahead with the dissemination of alternative energy in coordination with local communities and customers.

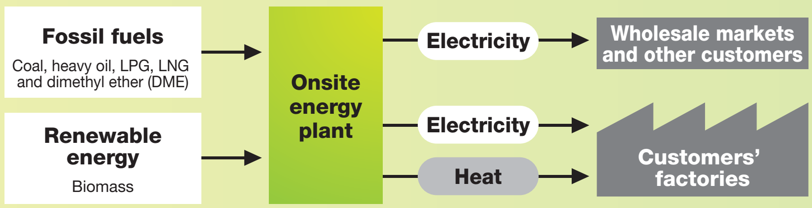
Management resources of the Group

Industrial Material Division	**3,500 factory locations**
Car-Life Division	**2,500 CSs**
Home-Life Division	**1,000,000 households**

Enex Is Forming a New Energy Flow.

We propose alternative energy for factories

We provide electricity and heat, which are the resulting energy forms of fuels, through our energy solution proposals to corporate customers.



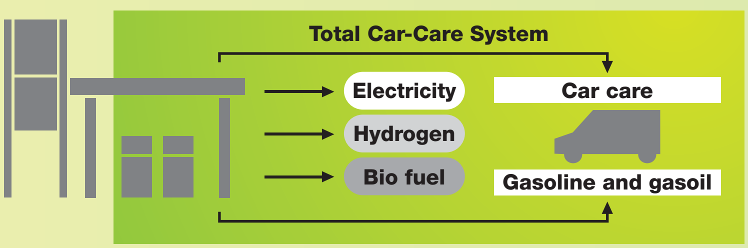
Biomass business of the Group


Woody biomass energy plant

We intend to draw on an accumulated knowledge of "woody biomass" to establish a "local production for local consumption" type of energy-use model in local communities.

We propose alternative energy for vehicles

We are committed to improving the infrastructure for such next-generation vehicles as electric vehicles and fuel-cell vehicles.



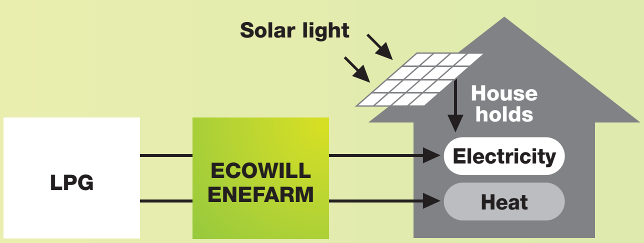
Itochu Enex's CSs offer "Total Care" services for next-generation vehicles

A hydrogen station that participates in the verification test conducted by the Company

Itochu Enex's CSs provide not only different energy forms such as electricity and hydrogen but also energy-related services to handle all types of future car-life needs.

We propose alternative energy for households

We handle ECOWILL cogeneration systems, ENEFARM residential fuel cell cogeneration systems such as auxiliary power generation equipment, photovoltaic power generation systems and rechargeable batteries.



My-Home Power Generation: ECOWILL and ENEFARM


The Company's photovoltaic power generation system

The Company's ENEFARM system

These efficient household cogeneration systems use LPG for power generation, hot water supply and heating. Combined installation with the photovoltaic power generation system will help people to pursue more eco-friendly and highly economic daily lives.

Shinichi Saisho
General Manager,
Alternative Energy Business Development Office

Aiming to commercialize environmentally friendly energy forms to satisfy our customers

The importance of renewable energy and the sophisticated utilization of energy are expected to increasingly rise in parallel to a steadily expanding market. In this regard, we must resolve specific issues for commercialization. For example, in what manner should such clean energy be delivered? And how can we encourage people to use it, to accelerate the full-fledged dissemination of such energy in society? The Alternative Energy Business Development Office will proactively offer optimum proposals with the aim of the commercialization of environmentally friendly energy forms that will please customers as the frontrunner in the alternative energy business of the Group. It will do this by fully drawing on such management resources as its customers and sales network at the Group level.

Corporate Profile

Corporate Information

Company Name	ITOCHU ENEX CO., LTD.
Head Office Address	Granpark Tower 3-4-1 , Shibaura, Minato-ku, Tokyo 108-8525, Japan
Established	January 28, 1961
Paid-in Capital	19.87767 billion Japanese yen
Business Divisions	Industrial Material Division Car-Life Division Energy Trade Division Home-Life Division
Principal Locations	Marketing offices: Hokkaido, Tohoku, Kanto, Higashi-Nihon, Chubu, Kansai, Chugoku & Shikoku, Kyushu *Other offices are located in regions throughout the country.
ITOCHU ENEX Group	Consolidated subsidiaries: 21 Non-consolidated subsidiaries (covered by the equity method): 22 Affiliates (covered by the equity method): 19 (As of March 31, 2009)
Number of Employees	629 (simple substance basis) (including 165 at subsidiaries) 3,605 (on a consolidated basis) (As of March 31, 2009)
Stock Exchange Listing	Tokyo (First Section) Stock name : ENEX Stock code: 8133
Main Financial Institutions	The Sumitomo Trust & Banking Co., Ltd. Sumitomo Mitsui Banking Corporation Resona Bank Mizuho Corporate Bank

ITOCHU ENEX Group

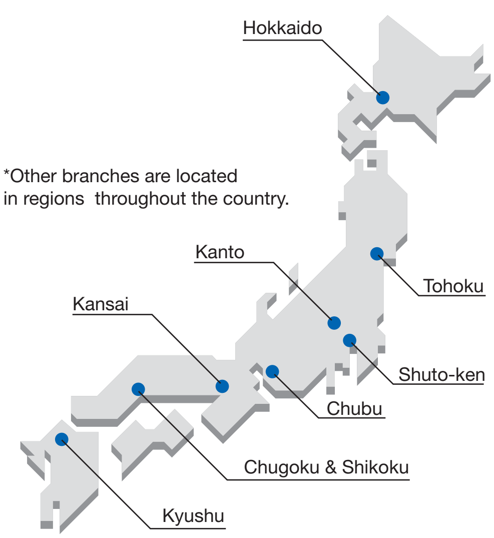
- Itochu Industrial Gas Co., Ltd.
- Enex LNG Sales Co., Ltd.
- Itochu Enex Support Co., Ltd.
- TOHOKU TANKU SHOUKAI CO., LTD.
- Enex Auto Co., Ltd.
- ENEX PETROLEUM SALES HIGASHI-NIHON CO., LTD.
- Kohnan Fleet Corporation
- ENEX PETROLEUM SALES NISHI-NIHON CO., LTD.
- OITA KYUSEKI HANBAI CO., LTD.
- PASTEC CO. LTD.
- KOKURA ENTERPRISE ENERGY CO., LTD.
- ITOCHU ENEX HOME-LIFE HOKKAIDO CO., LTD.
- ITOCHU ENEX HOME-LIFE TOHOKU CO., LTD.
- ITOCHU ENEX HOME-LIFE KANTO CO., LTD.
- KANAGAWA GAS TERMINAL CO., LTD.
- ITOCHU ENEX HOME-LIFE CHUBU CO., LTD.
- ITOCHU ENEX HOME-LIFE KANSAI CO., LTD.
- ITOCHU ENEX HOME-LIFE NISHI-NIHON CO., LTD.
- ECORE Co., Ltd.
- ENEX CLEAN POWER ENERGY CO., LTD.

Organization Chart

- General Meeting of Shareholders
  - Supervisory Board Corporate Auditor
  - Board of Directors
    - President
      - Chief Financial Officer
      - Chief Compliance Officer
      - Chief Information Officer
      - Industrial Material Division
        - Planning & Administration Department
        - Energy Solution Department
          - Alternative Energy Business Development Office
        - Asphalt Department
        - Industrial Energy Sales Department
        - Bunker Sales Department
      - Car-Life Division
        - Planning & Administration Department
        - Fleet Sales Department
        - Hokkaido Branch
        - Tohoku Branch
        - Kanto Branch
        - Shuto-ken Branch
        - Chubu Branch
        - Kansai Branch
        - Chugoku & Shikoku Branch
        - Kyushu Branch
        - Supply Administration Department
      - Energy Trade Division
        - Planning & Administration Department
        - Products Trade & Logistics Department
        - Tanker Department
        - Marine Fuel Department
      - Home-Life Division
        - Planning & Administration Department
        - Security System Department
        - Sales Promotion Department
        - Nakatsu-Gas Branch
      - Corporate Administration No.1 Division
        - Business Administration Department
        - Finance & General Accounting Department
          - Investor Relations Office
        - Internal Control Office
        - IT Planning Department
      - Corporate Administration No.2 Division
        - Human Resources & General Affairs Department
        - Legal & Risk Management Department
        - CSR·Compliance & Public Relations Department
          - Public Relations Office
      - Corporate Planning Department
      - Auditing Department

Branches

*Other branches are located in regions throughout the country.



Terminals

Kushiro Asphalt Terminal
Rumoi Asphalt Terminal
Oigawa Oil Terminal
Sakurajima Oil Terminal
Etajima Oil Terminal
Fukuoka Oli Terminal
Fukuoka Asphalt Terminal 1
Fukuoka Asphalt Terminal 2
Nagasaki Gas & Oil Terminal
Sasebo Asphalt Terminal
Kajiki Asphalt Terminal

Training Center

Itochu Enex Central Training Center

Corporate Governance

Promoting healthy, highly transparent management
while strengthening corporate governance
based on the Code of Conduct "Be Ethical."

Basic policies on corporate governance

Under the philosophy of the Code of Conduct—"Be Ethical (Reliability and sincerity, creativity and flair, transparency and integrity)" and the Declaration of the Group Code of Conduct, Company management always considers such priorities as ensuring thorough compliance, emphasizing shareholders' interest, ensuring transparency in business management and promoting swifter decision making. It also works to strengthen corporate governance on an ongoing basis in response to the changing business climate.

Reasonable and highly transparent management system

The Company has implemented an executive officer system to segregate the functions for decision making on basic management policies and for the execution of duties on business affairs by the Board of Directors and to encourage speedier managerial judgments.

▶ Board of Directors

Regular meetings of the Board of Directors are held monthly and extraordinary meetings are held as required. At meetings of the Board of Directors, decisions are made and important matters are reported with regard to the execution of business affairs, and the duties of the respective directors are supervised by the Board at the same time. Two outside directors are selected and dispatched from ITOCHU Corporation to ensure an objective and neutral approach to the execution of the operational duties performed by the directors.

▶ Board of Corporate Auditors

The Company has implemented a corporate auditor system. To strengthen the management surveillance function and the audit function, three of the four corporate auditors are appointed from outside the Company, one of whom is a part-time auditor (outside auditor) and a lawyer.

▶ Management Advisory Conference

The Management Advisory Conference was established as an advisory body for the President. Its constituent members are standing directors, general managers of the respective divisions, heads of management groups and the General Manager of the Corporate Planning Department. The Management Advisory Conference holds discussions on general management policies and important managerial matters on which the President will make the final business judgment.

Streamlined internal control-related systems

Pursuant to the Basic Principles on Internal Control Systems, which were revised at the Board of Directors' meeting held on May 19, 2008, the Company streamlined its accounting rules, regulations on consolidated financial statements and other relevant internal regulations. Furthermore, the Company complies with applicable accounting standards, laws and regulations and has established internal systems to ensure the legality and propriety of its financial reporting.

The Internal Control Office, which was established in fiscal 2007 as a dedicated organization, periodically evaluates and improves the operating status of the internal systems to ensure the propriety of financial reporting and so forth.

The Basic Principles on Internal Control Systems are posted on our Web site.

http://www.itcenex.com/corporate/internal.html

Internal Control Report for fiscal 2008

The Company filed the Internal Control Report regarding financial reporting for fiscal 2008 on June 23, 2009, with the Director of the Kanto Local Finance Bureau, in accordance with the Japanese Financial Instruments and Exchange Law.

The Internal Control Report for fiscal 2008 is posted on our Web site.
http://www.itcenex.com/ir/pdf/security/naibu20090623.pdf

Reinforcement of the business administration system

The Company quickly and precisely handles important management-related issues. The Company also strives to reinforce its business administration system and raise the efficiency and effectiveness of organizational operations in the pursuit of the sound growth and development of the Group.

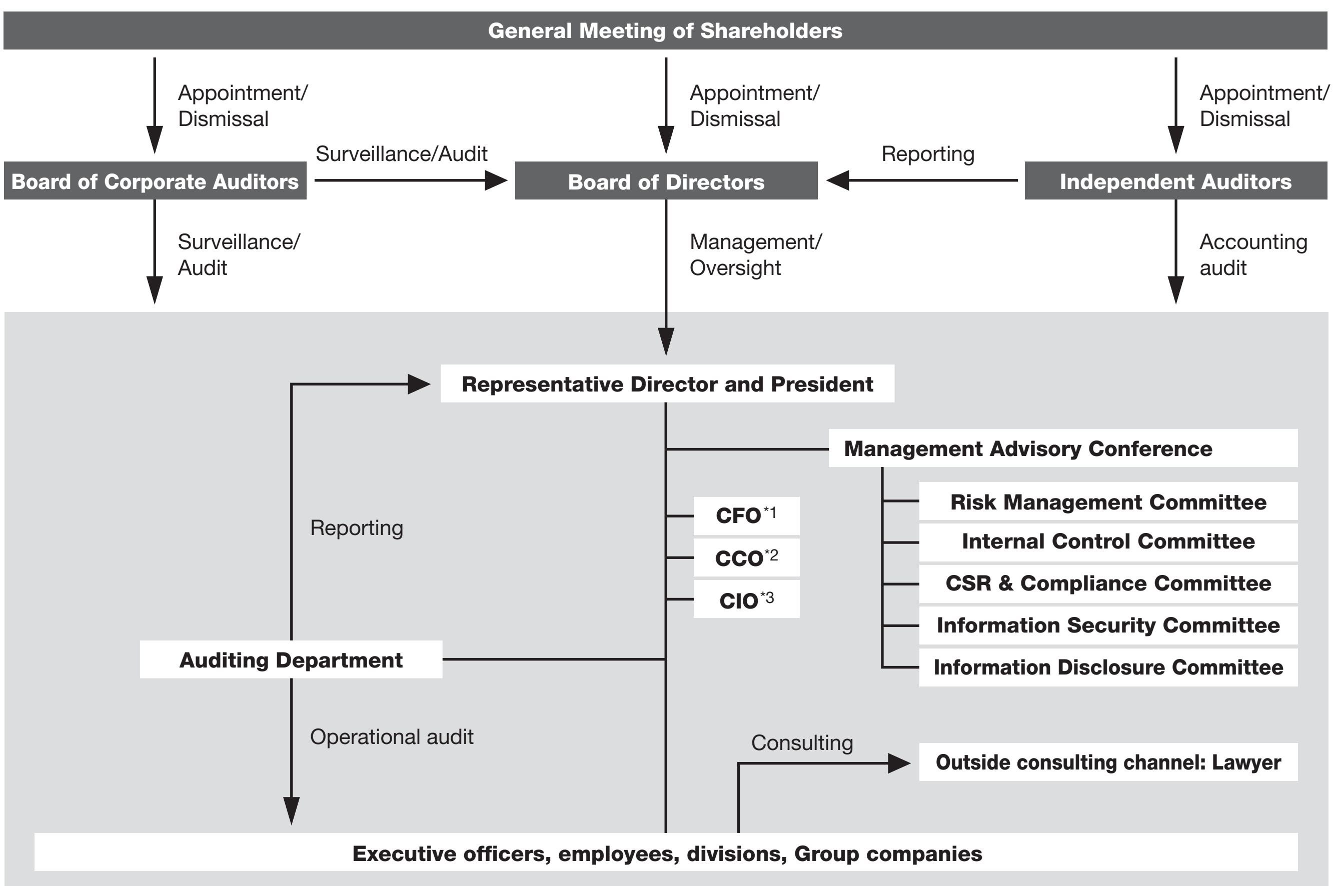
Group Management Conference

The main purpose of the Group Management Conference is to clarify the corporate approach to the consolidated management of the Group, promote Groupwide strategies and follow up on the status of the targets set out in the business plan. Chaired by the President, the Conference consists of the executive officers, the presidents of the Group companies and other attendees who are designated by the chairperson. The Group Management Conference is convened, as required, by the chairperson four times every year, in principle.

Committees

Several committees have been established as advisory bodies to help the Management Advisory Conference conduct rational decision making. The reports submitted by the respective committees reflect realistic assessments on the efficiency and propriety of activities and all aspects of legality and propriety to assist in the Management Advisory Conference's decision making. The committee chairpersons are appointed by the

Corporate Governance System



Notes:*1. CFO: Chief Financial Officer *2. CCO: Chief Compliance Officer *3. CIO: Chief Information Officer

President from among the chief officers and general managers of the respective divisions, in principle.

▶ Risk Management Committee

The main purpose of the Risk Management Committee is to promote appropriate risk management policies by carefully identifying the risks for the overall Group and thoroughly evaluating them. The Committee is chaired by the President and consists of the executive officers and other attendees who are designated by the chairperson, and its meetings are convened by the chairperson, as required.

▶ Internal Control Committee

The Internal Control Committee deliberates on important issues relating to internal controls and reports its views to the Management Advisory Conference.

▶ CSR & Compliance Committee

The CSR & Compliance Committee deliberates on general CSR issues and reports its views to the Management Advisory Conference.

▶ Information Security Committee

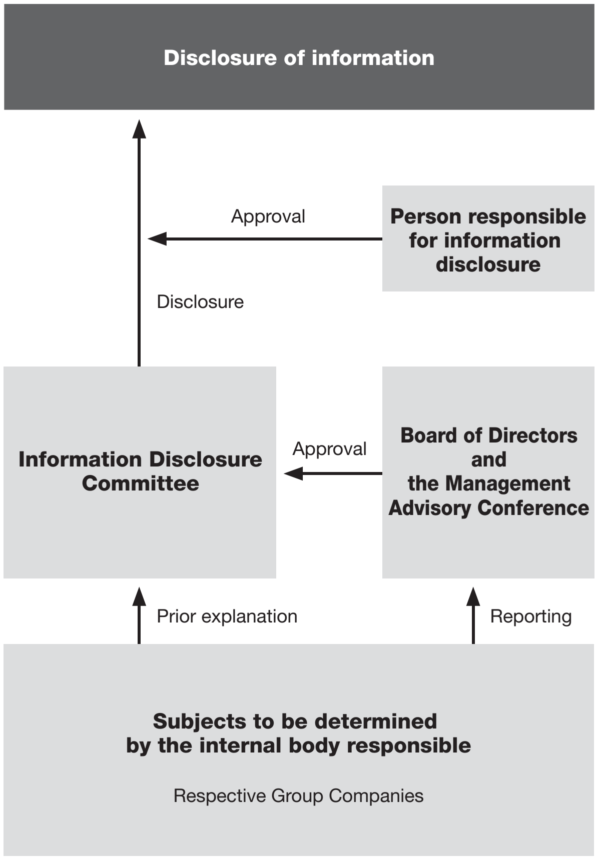
The Information Security Committee deliberates on issues relating to general information security, including the Company's own important corporate information and personal information regarding business partners and individual customers, and reports its views to the Management Advisory Conference to reinforce our information security-related capabilities on an ongoing basis.

▶ Information Disclosure Committee

The Information Disclosure Committee examines the propriety and timing of disclosure, the content requiring judgment for disclosure and the content of the annual securities report and endeavors to appropriately disclose the Company's corporate information as quickly as possible.

Positioning of Management Advisory Conference and Committees

Information Disclosure System



Directors and Officers

(As of June 23, 2009)

Representative Director
and President
Akira Kodera

Representative Director
and Senior Managing Director
Hiroshi Arai

General Manager
for the Energy Trade Division

Representative Director
and Senior Managing Director
Akira Doi

General Manager
for the Car-Life Division

Director and Managing Director
Kenji Moriya

General Manager
for the Home-Life Division

Director and Managing Director
Yutaka Tanaka

General Manager
for the Corporate Administration No.1 Division,
Chief Financial Officer
and Chief Information Officer

Director and Managing Director
Masamoto Uehara

General Manager
for the Corporate Administration No.2 Division,
and Chief Compliance Officer

Director and Managing Director
Tetsumi Hiraoka

General Manager
for the Industrial Material Division

Director
Masanobu Takagi

Executive Officer
Chief Operating Officer
Energy Division
Energy, Metals & Minerals Company
ITOCHU Corporation

Director
Toshihisa Fuse

General Manager
International Energy Trading Dept.2
Energy, Metals & Minerals Company
ITOCHU Corporation

Standing Corporate Auditor
Shozo Nozoe

Standing Corporate Auditor
Noriaki Nishioka

Corporate Auditor
Shuichi Nanba

Lawyer representing the Momoo,
Matsuo & Nanba Legal Office

Corporate Auditor
Shuichi Okazaki

Chief Financial Officer
for the Energy, Metals & Minerals Company,
Itochu Corporation

Managing Director
Michio Nanba

General Manager
for the Corporate Planning Department

Managing Director
Masaru Takahashi

Assistant General Manager and General Manager
for the Planning & Administration Department
in the Energy Trade Division

Executive Officer
Tatsunosuke Nagao

Assistant General Manager and General Manager
for the Planning & Administration Department
in the Industrial Material Division

Executive Officer
Osamu Takatsuji

General Manager
for the Legal & Risk Management Department
in the Corporate Administration No.2 Division

Executive Officer
Masatoshi Tanigawa

General Manager
for the Human Resources
& General Affairs Department
in the Corporate Administration No.2 Division

Executive Officer
Hideo Nakamura

Manager
for the Chugoku & Shikoku Branch
in the Car-Life Division

Executive Officer
Koji Tsutsumi

Assistant General Manager, General Manager
for the Supply Administration Department and
General Manager for the Fleet Sales Department
in the Car-Life Division

Executive Officer
Hiroyuki Yumeno

General Manager
for the Business Administration Department
in the Corporate Administration No.1 Division

Executive Officer
Fumio Shimizu

General Manager
for the Planning & Administration Department
in the Car-Life Division

Executive Officer
Hiroaki Soiri

General Manager
for the Marine Fuel Department
in the Energy Trade Division

Executive Officer
Tsukasa Nakamura

General Manager
for the Industrial Energy Sales Department
in the Industrial Material Division

Executive Officer
Hiroto Jinnouchi

Manager
for the Kyushu Branch
in the Car-Life Division

Company Time Line

1961 Jan. The Company is founded with capital of ¥60 million when Itochu Sekiyu K.K., a subsidiary of Itochu Corporation, is split up (Itochu Sekiyu K.K. was originally founded in January 1949 as Nishinihon Beiyu K.K., changing its name in April 1951). Its purpose is to sell the products manufactured at the new refinery built at Mizushima by Itochu Corporation in alliance with longstanding business partner Nippon Mining Co., Ltd. (This marks Itochu's entry into the petroleum sector.)

1965 May. The Company acquires the stock of Oita Kyuseki Hanbai Co., Ltd. (today a consolidated subsidiary).

1970 Mar. It acquires the stock of Unoshima Sansuiso K.K., and enters the high-pressure gas market.

1971 Apr. It boosts its capital from ¥0.6 billion to ¥1 billion.

1977 Apr. In order to change the par value of its stock, it merges with Itochu Fuel Corporation, headquartered at 2-36 Tsurigane-cho, Higashi-ku, Osaka.

1978 Feb. It is listed on the Second Section of the Osaka Securities Exchange and the Tokyo Stock Exchange.

1979 Sep. It is promoted to the First Section of the Osaka Securities Exchange and the Tokyo Stock Exchange.

1983 Jun. Its head office moves from Osaka to Tokyo.

1990 May. The Company's high-pressure gas division is spun off to form Itochu High-Pressure Gas Co., Ltd. (today Itochu Industrial Gas Co., Ltd.).

Jul. The Company takes over the goodwill of Itochu Oil Co., Ltd., the internal oil sales subsidiary of Itochu Corporation.

1996 Feb. Its headquarters move to 1-24-12, Meguro-ku, Tokyo, Japan.

1997 Oct. The Company acquires the stock of Tokai Corporation, which is in the process of being restructured.

Dec. It acquires the stock of Seibu Petroleum Corporation (a consolidated subsidiary at the end of the fiscal year).

1998 Apr. The Company's "CicoMart" division is spun off to form CicoMart Co., Ltd.

Sep. Itochu Fine Gas Co., Ltd. buys out Itochu High-Pressure Gas Co., Ltd. and is renamed Itochu Industrial Gas Co., Ltd. (today a consolidated subsidiary).

1999 Mar. The Company acquires additional stock of Itochu Petroleum Sales Co., Ltd. (today a consolidated subsidiary) and becomes its largest shareholder.

2000 Apr. It buys out Seibu Petroleum Corporation and establishes the Tokyo Seibu branch office.

Oct. A court declares the completion of restructuring at Tokai Corporation.

2001 Mar. The Company takes over a gas supply service in Nakatsu City, Oita Prefecture, with the goal of breaking into the city gas market.

Jul. The Company changes its name from Itochu Fuel Corporation to Itochu Enex Co., Ltd. Its 18 consolidated subsidiaries are renamed at the same time.

Nov. The Company sells off the stock of CicoMart Co., Ltd.

2002 Feb. It acquires additional stock of Sinanen Co., Ltd. (today an affiliate covered by the equity method) and becomes its largest shareholder.

2003 Oct. It delists itself from the Osaka Securities Exchange.

2004 Apr. It scraps the existing branch-office system in favor of a system organized around business divisions.

2005 May. Takigawa Enex Co., Ltd. (today Itochu Enex Home-Life Nishi-Nihon Co., Ltd.) takes over the business of Takigawa Industries Co., Ltd. and commences operations.

Jul. The Company acquires the stock of Kokura Enterprise Vehicle Service Co., Ltd. (today consolidated subsidiary Kokura Enterprise Energy Co., Ltd.).

Sep. It sells off the stock of Tokai Corporation.

Oct. Kokura Enterprise Energy Co., Ltd. takes over the business of Kokura Enterprise Co., Ltd. and commences operations.

Oct. The Itochu Enex Group adopts a single unified logo, the Enex Mark.

2006 May. ITOCHU ENEX CO., LTD. establishes the basic policy for its internal control system.

Sep. ITOCHU ENEX CO., LTD. and Kokura Kosan Energy Co., Ltd., a wholly owned subsidiary, jointly take over the petroleum business of Yanase Petroleum Sales Co., Ltd.

Oct. Enex Clean Power Energy Co., Ltd., a wholly owned subsidiary, concludes a special agency agreement with Hyundai Motor Japan, incorporated in Japan, and commences domestic sales of LPG automobiles manufactured by Hyundai Motor Company.

2007 Apr. ITOCHU ENEX CO., LTD. acquires the stock of Itochu Energy Marketing Co., Ltd., a firm to be operated as a wholly owned subsidiary.

Apr. Ecore Co., Ltd., the largest LPG sales company in the Kyushu area, is founded through the consolidation of Itochu Enex Home-Life Kyushu (a wholly owned subsidiary of the Company) and IDEX GAS K.K. (a wholly owned subsidiary of Shin-Idemitsu Co., Ltd.), and commences operations. (Investment ratio: the Company 51%, Shin-Idemitsu 49%)

2008 Feb. JAPAN ENERGY Corporation, ITOCHU Corporation, OSAKA GAS CO., LTD., and NISSHO PETROLEUM GAS CORPORATION, come to a basic agreement to begin the reorganization and integration of the LPG business.

Sep. Agreements are made to separate the oil sales business run by Kohnan Corporation and the stocks of Kohnan Fleet Corporation, transferring them to ITOCHU ENEX CO., LTD.

Oct. Agreements are made to separate the petroleum product trading business run by ITOCHU corporation, and the Petroleum product logistics business run by ITOCHU Petroleum Japan Ltd. from the companies and transferring the businesses to ITOCHU ENEX CO., LTD. We then started its operations as a trade business.

Oct. Its head office moves to 3-4-1, Shibaura, Minato-ku, Tokyo.

2009 Apr. JAPAN GAS ENERGY CORPORATION (JGE), a new company that was established jointly with JAPAN ENERGY Corporation and NISSHO PETROLEUM GAS CORPORATION to integrate the distribution and wholesale functions of LPG, starts operations.

2011 Jan. The Company will celebrate its 50th anniversary.

Our Action Guidelines

All employees of the Itochu Enex Group companies endeavor to comply with our Code of Conduct, entitled “Be Ethical,” which builds on our existing corporate precepts, and the Declaration of the Group Code of Conduct, which was established to ensure the commitment to our stakeholders, and to conduct themselves accordingly in their business operations based on CSR and compliance.

Code of Conduct

Be Ethical

(Reliability and sincerity, creativity and flair, transparency and integrity)

Declaration of the Group Code of Conduct

Relationship with customers

1. Safety

Safe and secure transactions
We take measures to alleviate any risk of accidents and/or disasters to ensure public safety and provide customers with reliable and secure products and services.

Quality management of products and merchandise
We promise to maintain quality and ensure the safety and stable provision of the merchandise that we handle.

2. Sincere response

Improvement of service quality
We strive to satisfy customers at all times.

Management of customer information
We appropriately use information relating to our customers only within the scope for which consent was obtained to appropriately manage and prevent leaks of such information.

Handling of accidents and complaints
We take measures to prevent any risk of accidents and/or complaints and to preclude any recurrences.

Relationship with business partners

Fair transactions
We conduct commercial activities under the principle of fair and free competition and maintain sound, reasonable and transparent relations with the political world and administrative bodies.

Management of corporate information
We take appropriate control of corporation information including that relating to our business partners and suppliers and adequately protect their confidential information.

Relationship with suppliers

Fair purchasing activity
We conduct fair purchasing activities with our suppliers.

Compliance with the Anti-Monopoly Laws
We strictly observe public rules for business transactions and never participate in fraudulent or dishonest acts such as bid-rigging, cartels and/or any suspicious misconduct that might provide an unfair impression.

Criteria for procurement
We carefully select our suppliers in accordance with clear and objective standards including their observance of social norms and social stance toward environmental preservation.

Relationship with employees

Respect of human rights
We respect the individual human rights of officers and employees and never discriminate by reason of gender, ethnicity, origin, religion or value, and we do not infringe on their privacy.

Respect of health and safety
We give full consideration to the health and safety of all employees.

Comfortable workplace environment
We comply with the applicable laws relating to hazardous materials and aim to create a safe and comfortable workplace environment.

Fair placement and employment
We place human resources fairly and are committed to the practice of long-term employment.

Appropriate personnel evaluation and treatment
We pursue transparency in terms of personnel evaluation and treatment and properly conduct such activities.

Use of dedicated consulting channels
We immediately inform the dedicated consulting staff of any infringement against the Declaration of the Group Code of Conduct, whether such a violation is committed by ourselves or when we find an infringement by any other employee that cannot be directly pointed out face-to-face.

Prohibition of sexual and power harassment
We comply with the Equal Employment Opportunity Law to eliminate discrimination between men and women and prevent the occurrence of sexual and power harassment.

Relationship with corporate properties

Protection of properties and assets
We use corporate properties and assets in an efficient manner and protect them appropriately.

Appropriate accounting procedures
We comply with laws and internal regulations to follow proper and transparent accounting procedures.

Management of confidential information
We manage confidential information thoroughly so as to prevent leaks.

Relationship with local communities

Social contribution programs
We intend to contribute to programs that support and/or develop local communities such as participation in volunteer activities as a good corporate citizen.

Dialogue with citizens
We maintain close communications with citizens and take part in revitalization projects in local communities.

Relationship with administrative bodies
We maintain fair and appropriate relations with public servants and administrative bodies and never conduct such illegal acts as committing bribery or providing business entertainment or gifts.

Environmental preservation activities

Continuing environmental activities
We adhere to strict environmental considerations through our normal business operations as a good corporate citizen.

Environmental issues in association with our business
We actively promote environment-friendly businesses.

Environmental management
We comply with environment-related laws and ISO standards and address natural preservation through our environmental management system.

Procurement by green purchasing
We endeavor to conduct procurements through green purchasing in promoting our business operations.

Relationship with shareholders and investors

Precise information disclosure
We communicate clearly with shareholders and investors by disclosing precise information in a timely manner.

Stable distribution of profits
We endeavor to improve operating performance and stably distribute profits with respect to shareholders.

Active IR and PR activities
We endeavor to enhance shareholder return by conducting active IR and PR activities.

Moderation in corporate behavior

Compliance
We observe public and corporate rules and use common sense when taking action. Our officers and managerial staff take the initiative in executing any action with good common sense.

Prohibition of insider transactions
We never perform any act in violation of insider transaction restrictions.

Giving and receiving gifts
We give or receive gifts within the scope of common sense and socially accepted norms.

Compliance with the Political Funds Control Law
We comply with the Political Funds Control Law and the Public Office Election Law and properly handle any relevant issues.

Prohibition of relationships with antisocial forces
We completely avoid relations with any antisocial force in whatever situation at the Group level.

Financial Section

Management's Discussion and Analysis

Analysis of consolidated business results for the fiscal year

Net sales

Consolidated net sales for the fiscal year under review totaled ¥1,164,708 million, up ¥70,956 million from the previous fiscal year. This increase can be primarily attributed to a surge in sales volume due to the succession of the petroleum product-related business. In the fiscal year under review, the petroleum distribution industry experienced various issues including a temporary tariff rate, sharp rises and falls in crude oil prices, the reorganization of primary distributors and the implementation of a new pricing system. The supply–demand environment deteriorated for the industry with stronger trends toward apathetic attitudes to automobiles and increased saving by consumers as a result of the adverse effects from the rise in petroleum product prices, the general worsening of the management environment for corporations and the increasing awareness of environmental issues. The LPG distribution industry, meanwhile, faced harsh business conditions due to a decline in demand as purchase prices had to be reflected in selling prices given record-high LPG import prices.

Given such a difficult business environment, although the overall industry suffered from sluggishness due to the decline in domestic demand, the sales volume of fuel oils sold by the Group increased year over year as a result of the continuing "quantitative expansion attended by qualitative improvements" strategy—up 6.3% for gasoline, up 6.6% for gasoil and up 44.4% for heavy oil. These improved results were due to the increased number of new clients and the grouping of new service stations in addition to the creation of the Energy Trade Division. However, the sales volume decreased 2.8% year over year for kerosene and 9.6% for LPG, reflecting the unusually warm winter and a drop in consumer confidence.

Operating income

Consolidated operating income totaled ¥9,881 million, up ¥2,180 million from the previous fiscal year. The primary reason for the rise was the effect of improved profitability due to the withdrawal of several Group companies from unprofitable business departments, in addition to the favorable effects of the conversion of Kohnan Fleet into a consolidated subsidiary and the unification of several trade business departments.

We will improve asset and capital efficiency to strengthen our financial platform.

Yutaka Tanaka
Director and Managing Director,
Chief Financial Officer

As an "integrated energy proposal enterprise," the Group is expected to assume the important social mission of providing various forms of energy to meet consumer and local needs. In addition, as the Company handles various energy sources, it has a significant responsibility to contribute to solving issues in people's daily lives and society toward the development of a safety-based sustainable society. It will do this by exercising responsible environmental stewardship such as higher consideration for the environment and enhanced security and reinforcing its corporate social responsibility (CSR) and compliance functions.

Meanwhile, it is critical for the Company to reinforce its financial platform to allow the Group to pursue sustainable growth and raise its corporate value through the fulfillment of these corporate missions.

Effective from fiscal 2008, the year ended March 31, 2009, the Company started a medium-term business plan—Core & Synergy 2010—to establish new growth strategies. Based on the medium-term business plan, we intend to aggressively improve asset and capital efficiency with the management indices of ROA (return on assets), ROE (return on equity) and EPS (earnings per share).

Net income

Consolidated net income totaled ¥5,419 million, up ¥1,231 million from the previous fiscal year. Among the reasons behind this increase were ¥1,921 million in factors related to ordinary income, ¥599 million as an improvement effect of extraordinary income due to an increase in the gain on sales of investment securities—net and a ¥1,253 million increase in income taxes—current.

Analysis of consolidated financial conditions during the fiscal year

Current assets

Current assets stood at ¥141,889 million as of the end of the fiscal year under review, a decrease of ¥16,832 million compared with the end of the previous fiscal year. The major factors behind this decline were a decrease of ¥26,822 million in trade notes and trade accounts (receivables) due to the decline of crude oil prices and an increase of ¥9,310 million in cash and cash equivalents.

Property, plant and equipment

Property, plant and equipment stood at ¥68,378 million as of the end of the fiscal year under review, an increase of ¥5,963 million compared with the end of the previous fiscal year. A major factor contributing to this increase was the succession of the petroleum product sales businesses from Kohnan.

Investments and other assets

Investments and other assets for the fiscal year under review increased ¥3,329 million to ¥37,320 million compared with the end of the previous fiscal year. The major factors behind this jump were increases of ¥1,137 million in deferred tax assets and ¥1,159 million in long-term loans and a decrease in investment securities due to devaluation, etc.

Current liabilities

Current liabilities stood at ¥116,896 million as of the end of the fiscal year under review, a decrease of ¥18,519 million compared with the end of the previous fiscal year. The major factors contributing to this decline were a ¥25,909 million decrease in trade notes and trade accounts (payables), due to the same reason as that for the decrease in trade notes and trade accounts (receivables), as well as increases of ¥2,335 million in short-term borrowings, ¥644 million in the current portion of long-term debt and ¥519 million in lease obligations.

Long-term liabilities

Long-term liabilities stood at ¥39,805 million as of the end of the fiscal year under review, an increase of ¥3,800 million compared with the end of the previous fiscal year. This was primarily due to a ¥1,629 million increase in lease obligations, a ¥1,148 million increase in corporate bonds and a ¥912 million increase in liability for retirement benefits.

Equity

Equity stood at ¥90,886 million as of the end of the fiscal year under review, an increase of ¥7,178 million compared with the end of the previous fiscal year. Retained earnings climbed ¥3,632 million, the capital surplus increased ¥953 million and treasury stock (at cost) increased ¥2,565 million, whereas the unrealized gain on available-for-sale securities decreased ¥551 million. The increase in retained earnings was chiefly due to the posting of net income for the year of ¥5,419 million and was partly offset by a decline of ¥1,467 million due to the payment of cash dividends. The increases in capital surplus and treasury stock (at cost) were primarily attributable to the amount corresponding to the value of the shares that were delivered to ITOCHU Corporation and ITOCHU Petroleum Japan Ltd. in compensation for the split-up and succession of business. The decrease in the unrealized gain on available-for-sale securities was mainly due to the decline in the value of investment securities held by the Company resulting from the decline in stock prices.

Overview of cash flow

Cash and cash equivalents (hereafter "funds") stood at ¥43,219 million as of the end of the fiscal year under review, an increase of ¥9,310 million compared with the end of the previous fiscal year.

Operating activities resulted in a ¥29,263 million increase in funds, up ¥15,074 million year over year. This was mainly due to the factors that led to an increase in funds, such as ¥10,284 million in income before income taxes and minority interests, a ¥78,575 million decrease in trade notes and accounts receivable and a ¥6,753 million decrease in inventories, which were partly offset by the decrease in funds such as a ¥70,605 million decrease in trade notes and accounts payable.

Investing activities resulted in a ¥1,704 million decline in funds, reducing the decrease by ¥3,318 million year over year, of which the major applications were investment in strengthening business facilities and acquiring goodwill. The factors that led to a decline in funds were the recording of ¥2,877 million in proceeds from investments in a subsidiary resulting from a change in the scope of consolidation due to the additional acquisition of Kohnan Fleet's shares as a result of its conversion from an affiliate into a consolidated subsidiary.

Financing activities resulted in a ¥24,839 million decline in funds, expanding the decline by ¥16,035 million year over year. This was mainly due to the repayment of interest-bearing debt and the payment of cash dividends.

Dividend policy

As a matter of basic policy on profit sharing, Itochu Enex is committed to continuously providing steady dividends to shareholders, with a consolidated payout ratio of 30% or more as a benchmark. To this end, we endeavor to reduce total assets and employ well-balanced funds within the Group from medium- and long-term perspectives.

The Company abides by a basic policy of distributing dividends from surplus twice per year with an interim dividend and a year-end dividend. The decision-making entities regarding dividends from surplus are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend. In line with the above policy, we maintained the practice of paying a year-end dividend of ¥8 per share for the fiscal year under review. For the next fiscal year, ending March 31, 2010, we also plan to pay a dividend of ¥16 per share (including an ¥8 per share interim dividend).

As for internal reserves, these are channeled into plant and equipment investment in order to strengthen our business platform and further increase the size of our profits.

Itochu Enex has determined in its Articles of Incorporation that "The Company may, by a resolution of the Board of Directors, pay interim dividends with September 30 of every year as the record date to determine qualified beneficiaries."

Current status and outlook of business strategies

Under the corporate philosophy of "Partnering with society and ordinary people—In the energy field, in the car and in the home," the Itochu Enex Group has four core domestic business divisions: the Industrial Material Division to meet all the energy needs of industries; the Car-Life Division to support all kinds of car-related user needs; the Energy Trade Division to meet a wide variety of energy needs in Japan and overseas; and the Home-Life Division to provide diverse lifestyle-related services closely related to local communities. As an "integrated energy proposal enterprise," the Group intends to assume a social mission of providing various forms of energy to meet consumer and local needs by handling "energy for all applications, whether as a key component of social infrastructure or as a means of enriching people's lives." In addition, as the Group handles various energy sources, the Group intends to contribute to the development of a sustainable society by exercising responsible environmental stewardship such as higher consideration for the environment, which is a constant contemporary theme, and enhanced security and reinforcing its CSR and compliance functions.

Targeted consolidated management indices

Based on the Group's medium-term business plan, Core & Synergy 2010, effective from fiscal 2008, the year ended March 31, 2009, we are adding the ROA, ROE and EPS indices with the aim of further improving asset and capital efficiency.

Medium- and long-term management strategy

The Itochu Enex Group has formulated the new Core & Synergy 2010 medium-term business plan for the three-year period running from fiscal 2008 through fiscal 2010 to establish a new growth trajectory, based on the favorable results of the Creation 2008 medium-term vision (fiscal 2004 through fiscal 2008), while adapting to the changing business environment during the period. The Group has implemented the plan as a new action program effective from the fiscal year under review (fiscal 2008).

Outlook for the coming fiscal year

The first year of the Core & Synergy 2010 plan was hit with unexpected external factors such as the unprecedented deterioration of the business environment. Although it was anticipated that the current fiscal year, ending March 31, 2010, would start under difficult business circumstances, the Group regards this second year of the medium-term management plan as a period to unify the new management resources acquired in the first year, reinforce our basic corporate strengths and extend new functions by demonstrating the quantitative effects of synergies. Under this positioning in the second year, the Group will restructure its business platform and establish a growth trajectory.

In the Industrial Material Division, although crude oil prices in the next fiscal year are anticipated to remain at the level of U.S.$45-U.S.$55 per barrel in view of the current situation, they are also forecast to return to higher levels over the medium to long term. Demand for domestic petroleum products is forecast to decline compared with that for the fiscal year under review. The Division intends to secure Japan's largest market share in the field of marine fuels by consolidating the sales departments for marine fuels within the Group, effective from fiscal 2009, the year ending March 31, 2010. In addition, we will concentrate on boosting sales of gasoil and heavy oil C for distribution, of which demand is likely to remain firm, by drawing on synergies with Kohnan Fleet, which joined the Group last year and has large gasoil stations throughout the country. We will also extend the domestic network for sales of asphalt.

In the Car-Life Division, a reduction in sales volume has become conspicuous in the end-retail market due to a loss of consumer confidence, which is affected by the shift of drivers' preference for low-fuel-consumption vehicles, a reduction in the driver population, soaring crude oil prices and stagnant distribution due to the sluggish domestic economy. As a consequence, the business environment surrounding our CSs is expected to deteriorate even more. Under such difficult business conditions, we will undertake CS management which emphasizes the customers' viewpoint at affiliated service stations to support the creation of CSs that can better satisfy customers. In addition, we will aggressively implement M&As and increase the number of affiliated CSs in order to further boost sales volume. Moreover, we will enhance the competitiveness of the Itochu Enex Group within the industry by promoting automobile-related services, to which the *Itsumo* Rent-a-Car used car business was added in April 2009.

In the Energy Trade Division, although a difficult business environment is expected to continue globally, we will endeavor to reduce costs related to tanks for export and enhance collaboration between Group companies to ensure profits by boosting sales volume in the petroleum product trade business. As for sales of marine fuels, it is anticipated that the sales volume can be improved by maintaining the trade rights held by domestic customers despite the forecast decline in the utilization rate of vessels due to the decline in global distribution. Overseas, we will maintain stable profits through renewals of long-term supply agreements with ship owners in Japan. As for the chartering of ships, we will strive to ensure profits with enhanced sales activity although sluggish conditions in the spot shipping market are anticipated due to the continued overall decline in global distribution.

In the Home-Life Division, the market conditions surrounding the LPG industry are expected to remain severe, affected by the drop in consumer confidence and the intensifying competition with other energy sources, particularly electricity. Nevertheless, we will strive to reduce costs by improving the efficiency of operations via selection and concentration and strengthening competitiveness in each trading area, together with efforts to achieve higher sales volume by increasing the number of loyal customers and M&As. In addition, we will enhance the efficiency of operations using our originally developed "G-Bingo" LPG operation support system, which will be implemented on a full-scale basis effective in fiscal 2009 to establish low-cost operating systems. We will also proactively promote collaboration in the wholesale field, with JAPAN GAS ENERGY as the nucleus. Furthermore, to create new demand and provide optimum energy solutions, we will strengthen sales of combined power generation systems using photovoltaic power generation, ECOWILL and ENEFARM residential fuel cell cogeneration systems through the Asclass Reform home renovation service.

A difficult business environment is expected to continue for the current fiscal year, ending March 31, 2010. Nevertheless, we project net sales of ¥1,180,000 million, up 1.3% year over year, ordinary income of ¥10,200 million, down 0.3%, and net income of ¥5,500 million, up 1.5%, on a consolidated basis, by steadily promoting the above initiatives at the Groupwide level.

Medium-Term Business Plan of the Itochu Enex Group

New growth strategy started in response to changes in the operating environment

The Itochu Enex Group has formulated the new Core & Synergy 2010 medium-term business plan for the three-year period running from fiscal 2008 through fiscal 2010, based on the favorable results of the Creation 2008 medium-term vision (fiscal 2004 through fiscal 2008), while adapting to the changing business environment during the period. The Group intends to steadily implement the plan toward the achievement of the targets in the plan, which primarily focuses on restructuring the business platform of the Group through the acquisition of new management resources, functions and business models based on Group unity.

Core & Synergy 2010

To the next stage via the implementation of reforms

Positioning — The three-year period mentioned above is positioned as a time frame to solidify our future growth course by restructuring the business platform of the Group through the acquisition of new management resources, functions and business models.

Basic Policy — By fostering Group unity, the Itochu Enex Group endeavors to develop global businesses horizontally and vertically, strengthen core businesses and create synergies to double its earnings.

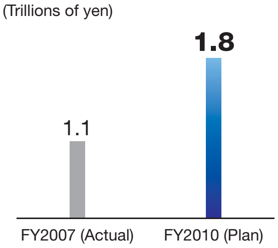
Period ——— Three years (fiscal 2008 through fiscal 2010)

Numerical Targets in Core & Synergy 2010

Consolidated Performance Plan for the Year Ending March 31, 2011

Net sales

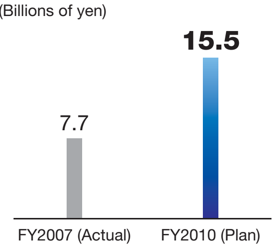
(Trillions of yen)



Actual result for the year ended March 31, 2008:
¥1.1 trillion
▼
UP 65%

Operating income

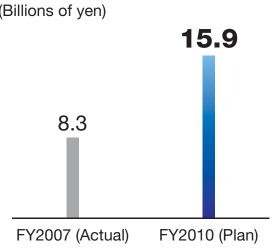
(Billions of yen)



Actual result for the year ended March 31, 2008:
¥7.7 billion
▼
UP 101%

Ordinary income

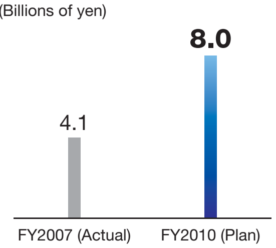
(Billions of yen)



Actual result for the year ended March 31, 2008:
¥8.3 billion
▼
UP 92%

Net income

(Billions of yen)



Actual result for the year ended March 31, 2008:
¥4.1 billion
▼
UP 95%

ROE

8.0%

EPS

¥68

Targeted Consolidated Management Indices

The Group intends to solidify efficient business management and raise earnings on a consolidated basis. To this end, effective from fiscal 2008, the year ended March 31, 2009, we are adding ROE and EPS indices with the aim of further improving asset efficiency and capital efficiency.

Business Risks

The Company understands that the major business risks of the Itochu Enex Group could have significant effects on the operating results, financial conditions and/or the stock prices of the Company. The Company takes specific measures to avert their occurrence as well as preventive measures. The forward-looking statements below are reviewed every fiscal year on a continued basis.

(1) Security risk related to accidents and disasters

Many of the products and merchandise handled by Group companies are hazardous substances such as gasoline, kerosene, gasoil, heavy oil and LPG. Although the Group pays careful attention to handling systems and education regarding security and the prevention of dangerous incidents for all merchandise, should an unpredictable accident or natural disaster happen, the Group's operating performance and business activities might be affected.

(2) Risk related to environmental pollution such as soil contamination

Soil contamination due to the outflow of fuel oil and other environmental pollution issues at sales facilities (e.g., CSs) and with tanks have attracted increasing attention in recent years. Although the Group undertakes careful soil contaminaion countermeasures in compliance with stringent internal rules, should any accident that has an adverse impact on the surrounding environment happen for any reason, considerable costs could be incurred accordingly and the Group's operating performance might be affected.

(3) Risk related to information management such as the leakage of personal information

The Group streamlines internal regulations and pays maximum attention to the management of personal information of stakeholders including customers. Nevertheless, should a leakage of personal information happen for any reason, the Group would lose the trust of society and its corporate image would be damaged. Consequently, the Group's operating performance might be affected.

(4) Risk related to information system failure

The Group uses several computer systems in the course of its normal business operations. Should a system failure occur on any information system (e.g., for order reception or ordering) due to a natural disaster, human error or quality-related issue, the Group's operating performance might be affected.

(**5) Risk related to crude oil prices and market conditions regarding petroleum products**

The prices of petroleum products handled by the Group are directly influenced by the fluctuations of crude oil prices and/or exchange rates. Regarding the fluctuations of the selling prices of its products, the Group's operating performance might be affected in association with several factors such as its relationship with competitors, market quotation prices and the time lag required for the shift of purchase prices into selling prices.

(6) Risk related to fluctuations in interest rates

The Group endeavors to reduce the value of its interest-bearing debt. Nevertheless, should the borrowing rate rise in the future as a result of interest rate fluctuations, the financing cost would increase and the Group's operating performance might be affected.

(7) Risk due to fluctuations in the prices of securities held

Regarding investment securities held by the Group, an evaluation loss on securities held would be incurred if stock prices drop in view of economic conditions and/or the fluctuation risk inherent in the stock market. Should any such significant evaluation loss on securities occur, the Group's operating performance might be affected.

(8) Risk related to industrial trends or competition

The Group had 2,174 affiliated CSs as of March 31, 2009, for sales of mainstay fuel oil. Several are exposed to fierce sales competition depending on region and have been forced to restructure their business or close station facilities. Although the Company endeavors to diversify the source of the CSs' revenues through management guidance services such as sales of used cars and vehicle inspections, the Group's operating performance might be affected by the entry of competitors and more intense sales competition than anticipated.

The LPG sales business currently faces not only industrial competition with competitors of the same trade but also extended competition from other energy sources such as city gas and electricity. Accordingly, the Group's operating performance might be affected by the business trends in these different industries—for example, due to the adverse impact on the sales volume and the selling price of LPG.

(9) Risk related to weather variations

The consumption volumes of kerosene, heavy oil and LPG, which are mainly consumed as heating energy sources in winter, are closely related to weather fluctuations. As a result, the Group's operating performance might be affected by abnormal weather conditions.

(10) Risk related to large-scale customers

The Group undertakes transactions with several large-scale customers. Should the transaction relationship with any one of them deteriorate for any reason, including a decline in net sales or a risk to credibility, the Group's operating performance might be affected.

(11) Risk related to bad debts

Should a considerable sum of bad debt be incurred at any of our business partners due to the difficult business climate, adverse business trends and/or unfavorable domestic or overseas economic conditions, the Group's operating performance might be affected.

(12) Risk related to subsidiaries and affiliates

Most of the subsidiaries and affiliates of the Group engage in oil sales, LPG sales and other consumer-oriented businesses. Should any of them be exposed to adverse consumer trends or economic conditions, the Group's operating performance might be affected.

(13) Risk related to a possible decline in bond credit rating

The Company has obtained a credit rating given by an external rating institution. Should its rating decline due to deteriorating financial conditions, the Company's direct fund procurement method for debts, etc., might be affected.

(14) Risk related to performance projections and dividend predictions

Regarding performance projections and dividend predictions publicly announced in accordance with stock exchange regulations, the Company may revise its projections according to the relevant stock exchange regulations in the event that the domestic and/or overseas economic environment changes considerably.

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥43,219	¥33,909	$439,978
Receivables:			
Trade notes and trade accounts	79,436	106,258	808,674
Unconsolidated subsidiaries and associated companies	582	475	5,925
Short-term loans	858	1,105	8,735
Other	5,264	5,447	53,589
Allowance for doubtful accounts	(682)	(679)	(6,943)
Inventories	8,196	9,686	83,437
Deferred tax assets *(Note 9)*	2,120	1,638	21,582
Prepaid expenses and other current assets	2,896	882	29,480
Total current assets	141,889	158,721	1,444,457
PROPERTY, PLANT AND EQUIPMENT *(Note 4)*:			
Land *(Note 6)*	35,454	32,796	360,928
Buildings and structures *(Note 6)*	50,450	44,129	513,591
Machinery and equipment *(Note 6)*	35,702	34,016	363,453
Lease assets	2,033		20,696
Construction in progress	92	206	937
Total	123,731	111,147	1,259,605
Accumulated depreciation	(55,353)	(48,732)	(563,504)
Net property, plant and equipment	68,378	62,415	696,101
INVESTMENTS AND OTHER ASSETS:			
Investment securities *(Notes 3 and 6)*	9,534	11,516	97,058
Investment in and advances to unconsolidated subsidiaries and associated companies	2,725	2,284	27,741
Long-term loans	3,366	2,207	34,267
Goodwill *(Note 5)*	6,562	4,251	66,802
Guarantee deposits	5,658	5,157	57,600
Deferred tax assets *(Note 9)*	3,845	2,707	39,143
Other assets	7,103	7,125	72,309
Allowance for doubtful accounts	(1,473)	(1,256)	(14,995)
Total investments and other assets	37,320	33,991	379,925
TOTAL	¥247,587	¥255,127	$2,520,483

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings *(Note 6)*	¥11,851	¥12,308	$120,645
Current portion of long-term debt *(Note 6)*	8,832	4,876	89,912
Payables:			
Trade notes and trade accounts	74,523	100,432	758,658
Unconsolidated subsidiaries and associated companies	738	944	7,513
Income taxes payable	2,882	2,402	29,339
Accrued expenses	3,697	2,829	37,636
Other current liabilities	14,373	11,624	146,321
Total current liabilities	116,896	135,415	1,190,024
LONG-TERM LIABILITIES:			
Long-term debt *(Note 6)*	22,696	20,062	231,050
Liability for retirement benefits *(Note 7)*	5,219	4,307	53,130
Deferred tax liabilities *(Note 9)*	236	250	2,403
Deferred tax liabilities on land revaluation difference *(Note 9)*	3,127	3,191	31,833
Guarantee deposits received	7,592	7,204	77,288
Other long-term liabilities	935	990	9,518
Total long-term liabilities	39,805	36,004	405,222
COMMITMENTS AND CONTINGENT LIABILITIES *(Notes 12 and 15)*			
EQUITY *(Notes 8 and 16)*:			
Common stock, authorized, 387,250,000 shares; issued, 116,881,106 shares in 2009 and 96,356,583 shares in 2008	19,878	19,878	202,362
Capital surplus	18,737	17,783	190,746
Retained earnings	59,463	55,830	605,345
Unrealized gain (loss) on available-for-sale securities	(836)	(284)	(8,511)
Land revaluation difference *(Note 11)*	(8,456)	(8,836)	(86,084)
Treasury stock -at cost: 32,290 shares in 2009 and 4,626,013 shares in 2008	(20)	(2,585)	(204)
Total	88,766	81,786	903,654
Minority interests	2,120	1,922	21,583
Total equity	90,886	83,708	925,237
TOTAL	¥247,587	¥255,127	$2,520,483

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Income

Years Ended March 31, 2009 and 2008

	Millions of Yen		*Thousands of U.S. Dollar (Note 1)*
	2009	2008	2009
NET SALES	¥1,164,708	¥1,093,752	$11,856,948
COST OF SALES	1,090,248	1,027,742	11,098,931
Gross profit	74,460	66,010	758,017
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES *(Note 10)*	64,579	58,310	657,427
Operating income	9,881	7,700	100,590
OTHER INCOME (EXPENSES):			
Interest and dividend income	519	527	5,284
Interest expense	(769)	(591)	(7,829)
Gain on sales of investment securities – net	1,217	241	12,389
Loss on devaluation of investment securities	(506)	(472)	(5,151)
Purchase discounts	491	527	4,998
Sales discounts	(436)	(401)	(4,439)
Equity in earnings (losses) of unconsolidated subsidiaries and associated companies	(46)	92	(468)
Gain on sales of property, plant and equipment	212	563	2,158
Loss on sales and disposal of property, plant and equipment	(585)	(767)	(5,955)
Loss on impairment of long-lived assets *(Note 4)*	(286)	(137)	(2,912)
Gain on transfer of business	253		2,576
Loss on transfer of pension plans *(Note 2.j)*	(131)		(1,334)
Other – net	470	482	4,786
Other income (expenses) – net	403	64	4,103
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	10,284	7,764	104,693
INCOME TAXES *(Note 9)*:			
Current	4,450	3,616	45,302
Deferred	105	(314)	1,069
Total income taxes	4,555	3,302	46,371
MINORITY INTERESTS IN NET INCOME	310	275	3,156
NET INCOME	¥5,419	¥4,187	$55,166
PER SHARE OF COMMON STOCK *(Note 2.o)*:			
Basic net income	¥52.44	¥45.65	$0.53
Diluted net income		45.65	
Cash dividends applicable to the year	16.00	16.00	0.16

See notes to consolidated financial statements.

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity

Years Ended March 31, 2009 and 2008

	Thousands	*Millions of Yen*								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (loss) on Available-for-sale Securities	Land Revaluation Difference	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2007	91,728	¥ 19,878	¥ 17,782	¥ 53,142	¥ 2,245	¥ (8,869)	¥ (2,585)	¥ 81,593	¥ 756	¥ 82,349
Net income				4,187				4,187		4,187
Cash dividends, ¥16.0 per share				(1,468)				(1,468)		(1,468)
Bonuses to directors and corporate auditors										
Purchase of treasury stock	(5)						(5)	(5)		(5)
Disposal of treasury stock	8		1				5	6		6
Land revaluation difference				(33)		33				
Net increase resulting from change in subsidiary accounted for by the equity method				2				2		2
Net change in the year					(2,529)			(2,529)	1,166	(1,363)
BALANCE, MARCH 31, 2008	91,731	19,878	17,783	55,830	(284)	(8,836)	(2,585)	81,786	1,922	83,708
Net income				5,419				5,419		5,419
Cash dividends, ¥16.0 per share				(1,467)				(1,467)		(1,467)
Purchase of treasury stock	(31)						(19)	(19)		(19)
Disposal of treasury stock	4,624									
Land revaluation difference				(380)		380				
Net increase resulting from business combination	20,525		954				2,584	3,538		3,538
Net increase resulting from change in subsidiary accounted for by the equity method				61				61		61
Net change in the year					(552)			(552)	198	(354)
BALANCE, MARCH 31, 2009	116,849	¥ 19,878	¥18,737	¥ 59,463	¥ (836)	¥ (8,456)	¥ (20)	¥ 88,766	¥ 2,120	¥ 90,886

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (loss) on Available-for-sale Securities	Land Revaluation Difference	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2008	$ 202,362	$ 181,034	$ 568,360	$(2,891)	$(89,952)	$(26,316)	$832,597	$19,566	$852,163
Net income			55,166				55,166		55,166
Cash dividends, $0.16 per share			(14,934)				(14,934)		(14,934)
Purchase of treasury stock						(193)	(193)		(193)
Disposal of treasury stock									
Land revaluation difference			(3,868)		3,868				
Net increase resulting from business combination		9,712				26,305	36,017		36,017
Net increase resulting from change in subsidiary accounted for by the equity method			621				621		621
Net change in the year				(5,620)			(5,620)	2,017	(3,603)
BALANCE, MARCH 31, 2009	$ 202,362	$ 190,746	$ 605,345	$ (8,511)	$ (86,084)	$ (204)	$ 903,654	$ 21,583	$ 925,237

See notes to consolidated financial statements.

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years Ended March 31, 2009 and 2008

	Millions of Yen		*Thousands of U.S. Dollar (Note 1)*
	2009	2008	2009
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥10,284	¥7,764	$104,693
Adjustments for:			
Income taxes – paid	(3,919)	(2,779)	(39,896)
Depreciation and amortization	7,618	6,796	77,553
Gain on sales of property, plant and equipment	(212)	(563)	(2,158)
Loss on sales and disposal of property, plant and equipment	585	767	5,955
Gain on transfer of business	(253)		(2,576)
Gain on sales of investment securities – net	(1,217)	(241)	(12,389)
Loss on devaluation of investment securities	506	472	5,151
Loss on impairment of long-lived assets	286	137	2,912
Allowance for doubtful accounts	(732)	(185)	(7,452)
Provision for retirement benefits	427	514	4,347
Equity in (earnings) losses of unconsolidated subsidiaries and associated companies	46	(92)	468
Changes in assets and liabilities, net of newly consolidated subsidiaries:			
(Increase) decrease in trade notes and accounts receivable	78,575	(10,716)	799,908
(Increase) decrease in inventories	6,753	(1,898)	68,747
Increase in prepaid expenses and other current assets	(2,580)	(2,274)	(26,265)
Increase (decrease) in trade notes and accounts payable	(70,605)	14,386	(718,772)
Increase in other current liabilities	3,326	2,182	33,859
Other - net	375	(81)	3,818
Total adjustments	18,979	6,425	193,210
Net cash provided by operating activities	29,263	14,189	297,903
	¥29,263	¥14,189	$297,903

FORWARD (Continued)

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years Ended March 31, 2009 and 2008

	Millions of Yen		*Thousands of U.S. Dollar (Note 1)*
	2009	2008	2009
FORWARD	¥29,263	¥14,189	$297,903
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(5,953)	(5,491)	(60,603)
Proceeds from sales of property, plant and equipment	1,778	1,676	18,100
Purchases of investment securities	(767)	(2,488)	(7,808)
Proceeds from sales of investment securities	1,829	2,318	18,620
Purchases of intangible assets	(1,510)	(1,706)	(15,372)
Proceeds from sales of intangible assets	541	121	5,507
Proceeds from purchase of investments in subsidiaries resulting from change in scope of consolidation	2,877	628	29,288
Collection of (payments for) short-term loans – net	175	(586)	1,782
Proceeds from sales of stock investment in subsidiaries			
Collection of long-term loans – net	(94)	953	(957)
Other – net	(580)	(447)	(5,905)
Net cash used in investing activities	(1,704)	(5,022)	(17,348)
FINANCING ACTIVITIES:			
Decrease in short-term bank loans – net	(16,643)	(3,730)	(169,429)
Proceeds from long-term debt	470	8,200	4,785
Repayments of long-term debt	(6,131)	(6,740)	(62,415)
Repayments of bond payable	(822)	(5,000)	(8,368)
Repayments of lease obligations	(117)		(1,191)
Repurchase of treasury stock	(19)	(5)	(193)
Proceeds from sales of treasury stock		6	
Dividends paid	(1,577)	(1,535)	(16,054)
Net cash used in financing activities	(24,839)	(8,804)	(252,865)
CASH AND CASH EQUIVALENTS INCREASED BY MERGER		249	
CASH AND CASH EQUIVALENTS INCREASED BY BUSINESS COMBINATION	6,590		67,088
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,720	612	27,690
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	33,909	33,297	345,200

FORWARD (Continued)

ITOCHU ENEX CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years Ended March 31, 2009 and 2008

	Millions of Yen		*Thousands of U.S. Dollar (Note 1)*
	2009	2008	2009
FORWARD	33,909	33,297	345,200
CASH AND CASH EQUIVALENTS, END OF YEAR	¥43,219	¥33,909	$439,978
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Increase in assets and liabilities due to consolidation of a subsidiary by the acquisition of business described in Note 19 (1):			
Assets	¥35,370		$360,073
Liabilities	32,552		331,386
Increase in assets and liabilities due to the succession of the business described in Note 19 (2):			
Assets	77,144		785,341
Liabilities	73,606		749,323

See notes to consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2008 consolidated financial statements to conform to the classifications used in 2009.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which ITOCHU ENEX CO., LTD. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98.23 to $1, the approximate rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. The consolidated financial statements as of March 31, 2009 include the accounts of the Company and its 21 significant (21 in 2008) subsidiaries (together, the “Group”). Significant consolidated subsidiaries are Itochu Industrial Gas Co., Ltd., Kokura Enterprise Energy Co., Ltd., Konan Fleet Corporation, and Ecore Co., Ltd.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

During the year ended March 31, 2009, Konan Fleet Corporation assumed a petroleum sales business from Kohnan Co., Ltd. and became a wholly owned subsidiary of the Company. Accordingly, Konan Fleet Corporation, which was accounted for by the equity method for the year ended March 31, 2008, was included in the scope of consolidation.

Enex Auto Kanto Co., Ltd. was excluded from the scope of consolidation, as it was liquidated.
Itochu Energy Marketing Co., Ltd., a consolidated subsidiary, changed its corporate name to Enehan Co., Ltd.

The Company does not consolidate 22 (22 in 2008) subsidiaries due to their immateriality in terms of consolidated total assets, net sales, net income and retained earnings.

Investments in 22 (22 in 2008) unconsolidated subsidiaries and 19 (21 in 2008) associated companies are accounted for by the equity method, including one significant associated company, Enegene Co., Ltd. Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is principally amortized over a period of 5 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Business Combination
In October 2003, the Business Accounting Council (BAC) issued a Statement of Opinion, “Accounting for Business Combinations”, and in December 2005 the Accounting Standards Board of Japan (“ASBJ”) issued ASBJ Statement No.7, “Accounting Standard for Business Divestitures” and ASBJ Guidance No.10, “Guidance for Accounting Standard for Business Combinations and Business Divestitures. These new accounting pronouncements were effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

c. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

d. Inventories

Prior to April 1, 2008, inventories were stated at cost, determined by the moving-average method. In July 2006, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No.9, “Accounting Standard for Measurement of Inventories”, which was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of net welling value, if appropriate.

The Company applied the new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change was to decrease operating income and income before income tax and minority interests for the year ended March 31, 2009 by ¥657 million ($6,688 thousand).

Consumer-related goods are stated at cost, determined by last purchase method.

e. Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management’s intent, as follows:

i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost, and ii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

f. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to the buildings.

The range of useful lives is principally from 2 to 50 years for buildings and structures and from 2 to 22 years for machinery and equipment. The useful lives for lease assets are the term of the respective leases.

Intangible assets are amortized by the straight-line method over their estimated useful lives. Computer software for internal use is capitalized as an asset and is amortized by the straight-line method over the useful life of 5 years.

g. Long-lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Goodwill

Goodwill is carried at cost less accumulated amortization, which is calculated by the straight-line method over the useful life of principally 5 years.

i. Allowance for Doubtful Accounts

The allowance for doubtful account is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

j. Accrued Retirement Benefits

The Group has an obligation to pay retirement benefits to its employees, and therefore the Group provides accrued retirement benefits based on the estimated amount of projected benefits obligation and the fair value of plan assets. Unrecognized prior service cost is amortized by the straight-line method over a 9-year period, which is shorter than the average remaining years of service of the eligible employees. Unrecognized actuarial gain or loss is primarily amortized immediately from the following year using a straight-line method over a 9-year period, which is shorter than the average remaining years of service of the eligible employees.

According to the enactment of the Defined Contribution Pension Plan Law, Konan Fleet Corporation implemented a defined contribution pension plan in April 2009 by which the former qualified defined benefit pension plan and a portion of severance lump-sum payment plan were terminated. Konan Fleet Corporation applied the accounting treatment specified in the guidance issued by the Accounting Standards Board of Japan. The effect of this transfer was to decrease income before income taxes and minority interests by ¥131 million ($1,334 thousand) and was recorded as loss on transfer of pension plans in the statement of income for the year ended March 31, 2009.

k. Leases

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and does not transfer ownership of the leased property to the lessee as operating lease transactions. There is no effect of this change on net income.

All other leases are accounted for as operating leases.

l. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

m. Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the balance sheet date. The foreign exchange gains and losses from translations are recognized in the consolidated income statements to the extent that they are not hedged by forward exchange contracts.

n. Derivatives and Hedging Activities

The Company uses derivative financial instruments to manage its exposures to fluctuations in market prices for purchasing, interest rate and foreign currency exchange. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated income statements and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The Company evaluates hedge effectiveness for commodity swaps by comparing total cash flow of hedging instruments and items hedged.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

o. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

Diluted net income per share and related information are not presented because there were no dilutive instruments outstanding for the year ended March 31, 2009.

p. New Accounting Pronouncements

Business Combination—On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No.21, “Accounting Standard for Business Combinations”. Major accounting changes under the revised accounting standard are as follows:

(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.
(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by business combination is capitalized as an intangible asset.
(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for the fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No.21 “Guidance on Accounting Standard for Asset Retirement Obligations”. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2008	2009
Non-current:			
Marketable equity securities	¥ 7,781	¥ 8,792	$ 79,212
Debt securities	1,752	2,472	17,836
Other	1	252	10
Total	¥ 9,534	¥ 11,516	$ 97,058

The carrying amounts and aggregate fair values of marketable and investment securities and held to maturity securities at March 31, 2009 and 2008 were as follows:

	Millions of Yen			
March 31, 2009	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities ·········	¥ 8,627	¥ 369	¥ 1,757	¥ 7,239
Debt securities ············	1,574	0	22	1,552
Held-to maturity:				
Unlisted corporate bond	200			200
March 31, 2008				
Securities classified as:				
Available-for-sale:				
Equity securities ·········	¥ 8,626	¥ 1,174	¥ 1,551	¥ 8,249
Debt securities ············	2,374	3	105	2,272
Held-to maturity:				
Unlisted corporate bond	200			200

	Thousands of U.S. Dollars			
March 31, 2009	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities ·········	$ 87,824	$ 3,756	$ 17,887	$ 73,693
Debt securities ············	16,024		224	15,800
Held-to maturity:				
Unlisted corporate bond	2,036			2,036

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 and 2008 were as follows:

	Carrying amount		
	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2008	2009
Available-for-sale:			
Unlisted equity securities	542	543	5,518
Other	1	252	10
Total	¥543	¥795	$5,528

The carrying values of debt securities by contractual maturities for securities classified as held-to-maturity at March 31, 2009 were as follows:

	Millions of Yen	*Thousands of U.S. Dollars*
	Held-to-Maturity	
Due in one year or less		
Due in one to five years	¥ 200	$ 2,036
Due in five to ten years		
Due after ten years		
Total	¥ 200	$ 2,036

4. LONG-LIVED ASSETS

The Group identifies groups of assets based on managerial accounting categories, except for idle assets, land, buildings and structures, which were individually reviewed for impairment.

For the years ended March 31, 2009 and 2008, the book values of these assets were written down to their respective recoverable amounts by ¥286 million ($2,912 thousand) and ¥ 137 million, respectively. The amount for the year ended March 31, 2009 consisted of ¥83 million ($845 thousand) for buildings and structures, ¥113 million ($1,151 thousand) for land, ¥24 million ($244 thousand) for goodwill and ¥66 million ($672 thousand) for other assets.

These decreases in value are included in other expenses as impairment loss.

The recoverable amounts of assets in use were measured using the net sales price or at their value in use and discounted at the rate of 8% for computation of present value of future cash flows.

The recoverable amounts of idle assets were measured using the net sales price principally based on the official notice prices assessed and published by the Commissioner of the National Tax Administration.

5. GOODWILL

Goodwill at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2008	2009
Goodwill			
Goodwill on purchase of a specific business, etc.	¥4,011	¥4,018	$40,833
Consolidation goodwill	2,551	233	25,969
Total	¥6,562	¥4,251	$66,802

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2009 and 2008 consisted of bank overdrafts.

The weighted-average interest rates applicable to short-term borrowings as of March 31, 2009 and 2008 were 1.052% and 1.251%, respectively.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2008	2009
Long-term bank loans due through 2014 at average interest rates of 1.515% in 2009 and 1.220% in 2008	¥27,587	¥24,938	$280,841
Lease obligation	2,149		21,878
Unsecured 0.770% corporate bonds due through November 2009	100		1,018
Unsecured 0.670% corporate bonds due through June 2010	300		3,054
Unsecured 1.470% corporate bonds due through March 2012	252		2,565
Unsecured 1.330% corporate bonds due through March 2013	240		2,443
Unsecured 1.125% corporate bonds due through June 2013	900		9,163
Total	31,528	24,938	320,962
Less current portion:			
Long-term bank loans	(7,669)	(4,876)	(78,072)
Long-term corporate bonds	(644)		(6,556)
Lease obligation	(519)	—	(5,284)
Long-term debt, less current portion	¥22,696	¥20,062	$231,050

The annual maturities of long-term debt are summarized as follows:

	Long-term bank loans		*Corporate bonds*		*Lease obligation*	
Years ending March 31	*Millions of Yen*	*Thousands of U.S. Dollars*	*Millions of Yen*	*Thousands of U.S. Dollars*	*Millions of Yen*	*Thousands of U.S. Dollars*
2010	¥7,669	$78,072	¥644	$ 6,556	¥519	$ 5,284
2011	9,865	100,428	444	4,520	475	4,836
2012	1,825	18,579	344	3,502	470	4,785
2013	8,018	81,625	260	2,647	437	4,449
2014	210	2,137	100	1,018	194	1,975
2015 and thereafter					54	549
Total	¥27,587	$280,841	¥1,792	$18,243	¥2,149	$21,878

The carrying amounts of assets pledged as collateral for trade accounts payable of ¥135 million ($1,374 thousand), short-term borrowings of ¥689 million ($7,014 thousand) and long-term borrowings of ¥90 million ($916 thousand) at March 31, 2009 were as follows:

	Millions of Yen	*Thousands of U.S. Dollars*
Buildings and structures	¥ 694	$ 7,065
Machinery and equipment	90	916
Land	76	774
Other	4	41
Investment securities	6	61
Total	¥ 870	$ 8,857

In addition, investment securities of ¥1,700 million ($17,306 thousand) were deposited as guarantees for commodity futures trading at March 31, 2009.

The Company entered into commitment line contracts with banks. Outstanding bank commitment lines contracted, but not provided for, as of March 31, 2009 and 2008 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2008	2009
Credit facilities	¥7,000	¥3,000	$71,261
Used	—	—	—
Unused	¥7,000	¥3,000	$71,261

7. RETIREMENT AND PENSION PLANS

Under most circumstances, employees terminating their employment are entitled to certain severance payments based on their rates of pay at the time of termination, length of service and certain other factors. If the termination is involuntary, caused by retirement at the normal retirement age, or caused by death, the employee is entitled to greater payments than in the case of voluntary termination.

The Group has a lump-sum retirement plan, defined contribution pension plans and tax qualified pension plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2009 and 2008 for the Group defined benefit plans:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2008	2009
Retirement benefit obligation	¥ (7,763)	¥ (7,682)	$(79,029)
Plan assets at fair value	1,510	1,950	15,372
Unrecognized actuarial loss	269	466	2,739
Unrecognized prior service cost	765	959	7,788
Net liability	¥ (5,219)	¥ (4,307)	$(53,130)

Certain consolidated subsidiaries apply simplified methods in calculating their retirement and severance benefit obligation.

The components of net periodic benefit costs are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2008	2009
Service cost	¥518	¥533	$5,273
Interest cost	66	64	672
Amortization of actuarial loss	165	173	1,680
Amortization of prior service cost	245	245	2,494
Net periodic benefit costs	¥994	¥1,015	$10,119

In addition, the Group recorded expenses related to defined contribution pension plans of ¥362 million ($3,685 thousand) for the year ended March 31, 2009 and ¥418 million for the year ended March 31, 2008 in retirement benefit obligation. The Group paid additional retirement benefits of ¥216 million ($2,199 thousand) for the year ended March 31, 2009 and ¥231 million for the year ended March 31, 2008. These are recorded in selling, general and administrative expenses.

Retirement benefit expenses of certain consolidated subsidiaries which apply simplified methods are recorded in “Service cost”.

Assumptions for the years ended March 31, 2009 and 2008 are set forth as follows:

	2009	2008
Discount rate	1.6%	1.6%
Expected rate of return on plan assets	0.0%	0.0%
Amortization period of prior service cost	9 years	9 years
Recognition period of actuarial loss	9 years	9 years

8. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends
Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥ 3 million.

(b) Increase / decreases and transfer of common stock, reserve and surplus
The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reserved without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights
The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are now presented as a separate component of equity.
The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.7% for the years ended March 31, 2009 and 2008.

The tax effects of significant temporary differences and tax loss carry forwards which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deferred tax assets:			
Enterprise tax payable	¥ 249	¥ 194	$ 2,535
Accrued expenses	371	217	3,777
Allowance for doubtful accounts	1,231	1,366	12,532
Accrued bonuses for employees	1,010	910	10,282
Tax loss carry forwards	461	401	4,693
Liability for retirement benefits	2,125	1,759	21,633
Accrued retirement benefits for directors and corporate auditors	227	310	2,311
Loss on devaluation of investment securities	347	509	3,533
Impairment loss of fixed assets	309		3,146
Unrealized loss on available-for-sale securities	574	192	5,843
Asset adjustment related to business combination	492		5,009
Elimination of internal profit in consolidation	532	628	5,416
Other	531	518	5,406
Less valuation allowance	(1,330)	(1,485)	(13,541)
Total	7,129	5,519	72,575
Deferred tax liabilities:			
Reserve for special depreciation	(1,164)	(1,181)	(11,850)
Other	(236)	(243)	(2,403)
Total	(1,400)	(1,424)	(14,253)
Net deferred tax assets	¥ 5,729	¥ 4,095	$ 58,322

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deferred tax assets on land revaluation	¥5,296	¥5,488	$53,914
Less valuation allowance	(5,296)	(5,488)	(53,914)
Deferred tax liabilities on land revaluation	(3,127)	(3,191)	(31,833)
Deferred tax liabilities on land revaluation – net	¥(3,127)	¥(3,191)	$(31,833)

Taxes on income consist of corporation, inhabitants and enterprise taxes.
Reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2009 was as follows:

	Year ended March 31
	2009
Normal effective statutory tax rate	40.7%
Entertainment expenses and others that are not deductible permanently	3.5
Per capita inhabitants tax	1.2
Other	(1.1)
Actual effective tax rate	44.3%

Reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2008 is not presented, because the difference was less than five percent of the normal effective statutory tax rate.

At March 31, 2009, certain subsidiaries have tax loss carry forwards aggregating approximately ¥1,130 million ($11,504 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	*Millions of Yen*	*Thousands of U.S. Dollars*
2010	¥ 3	$ 31
2011	11	112
2012	65	662
2013	52	529
2014	125	1,273
2015 and thereafter	874	8,897
Total	¥1,130	$11,504

10. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The main components of selling, general and administrative expenses for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2008	2009
Freight and warehousing	¥9,078	¥9,397	$92,416
Payroll	17,057	14,915	173,643
Provision for accrued bonuses to employees	2,408	2,195	24,514
Provision for accrued bonuses to directors and corporate auditors	213	199	2,168
Rent	9,177	6,892	93,424
Depreciation and amortization	2,279	2,013	23,201
Amortization of goodwill	1,985	1,642	20,208
Provision for allowance for doubtful accounts	222	179	2,260
Provision for accrued pension and severance costs	1,402	1,421	14,273
Provision for accrued retirement benefits for directors and corporate auditors		125	

11. LAND REVALUATION DIFFERENCE

Under the "Law of Land Revaluation", the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 1999. The resulting land revaluation difference represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statements of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation difference account and related deferred tax liabilities. As of March 31, 2009, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥5,453 million ($55,513 thousand).

12. LEASES

(Lessee)
The Group leases certain machinery mainly for petroleum products sales, computer equipment and other assets. Total rental expenses including lease payments under finance leases for the years ended March 31, 2009 and 2008 were ¥1,583 million ($16,115 thousand) and ¥1,153 million.

As discussed in Note 2-k., the Company accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense on a "as if capitalized" basis for the years ended March 31, 2009 and 2008 was as follows:

	As of March 31, 2009				As of March 31, 2008			
	Millions of Yen				*Millions of Yen*			
	Buildings and Structures	Machinery and Equipment	Intangible Assets	Total	Buildings and Structures	Machinery and Equipment	Intangible Assets	Total
Acquisition cost	¥36	¥7,609	¥515	¥8,160	¥36	¥5,793	¥506	¥6,335
Accumulated depreciation	32	6,055	287	6,374	28	3,999	199	4,226
Net leased property	¥4	¥1,554	¥228	¥1,786	¥8	¥1,794	¥307	¥2,109

	As of March 31, 2009			
	Thousands of U.S. Dollars			
	Buildings and Structures	Machinery and Equipment	Intangible Assets	Total
Acquisition cost	$366	$77,461	$5,243	$83,070
Accumulated depreciation	325	61,641	2,922	64,888
Net leased property	$41	$15,820	$2,321	$18,182

Obligations under finance leases:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2008	2009
Due within one year	¥1,247	¥1,068	$12,695
Due after one year	1,787	2,031	18,192
Total	¥3,034	¥3,099	$30,887

Depreciation expense, interest expense under finance leases:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2008	2009
Depreciation expense	¥1,426	¥1,131	$14,517
Interest expense	67	55	682

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the declining-balance method and the interest method, respectively.

(Lessor)
The Group leases certain machinery, computer equipment and other assets. Total lease income under finance leases for the years ended March 2009 and 2008 were ¥354 million ($3,604 thousand) and ¥430 million, respectively.

As discussed in Note 2-k., the Company accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, credit under finance leases, depreciation expense, interest income on a “as if capitalized” basis for the years ended March 31, 2009 and 2008 was as follows:

	As of March 31, 2009			As of March 31, 2008		
	Millions of Yen			*Millions of Yen*		
	Buildings and Structures	Machinery and Equipment	Total	Buildings and Structures	Machinery and Equipment	Total
Acquisition cost	¥10	¥1,922	¥1,932	¥36	¥2,224	¥2,260
Accumulated depreciation	9	1,616	1,625	28	1,620	1,648
Net leased property	¥1	¥306	¥307	¥8	¥604	¥612

	As of March 31, 2009		
	Thousands of U.S. Dollars		
	Buildings and Structures	Machinery and Equipment	Total
Acquisition cost	$102	$19,566	$19,668
Accumulated depreciation	92	16,451	16,543
Net leased property	$10	$3,115	$3,125

Receivables under finance leases:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2008	2009
Due within one year	¥ 272	¥ 399	$ 2,769
Due after one year	343	652	3,492
Total	¥ 615	¥1,051	$ 6,261

Depreciation expense, interest income under finance leases:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2008	2009
Depreciation expenses	¥271	¥371	$2,759
Interest income	10	16	102

Interest income, which is not reflected in the accompanying consolidated statements of income, is computed by the interest method.

(Operating lease)

The minimum rental commitments under noncancellable operating leases at March 31, 2009 were as follows:

	Millions of Yen
	2009
Due within one year	¥2,163
Due after one year	561
Total	¥2,724

13. DERIVATIVES

The Company engages in derivative activities involving petroleum products futures to hedge petroleum market risk, interest rate swap contracts to manage its interest rate exposures on certain liabilities and foreign exchange forward contracts to hedge the risk on assets and liabilities exposed to foreign currency fluctuations. The Company does not hold or issue derivatives for speculative trading purposes. The petroleum products futures are exposed to market risk which is created by potential fluctuations in market conditions. Interest rate swaps are exposed to risks of potential interest rate fluctuations and foreign exchange contracts are exposed to risks of potential foreign currency fluctuations. Because the counterparties to these derivatives are limited to highly rated members of a petroleum exchange and domestic financial institutions, the Company does not anticipate any losses arising from credit risk.

The execution and control of derivatives are controlled by the dealing department based on the internal rules, which states the authority and the limit in dealing. The dealing status is reported to and reviewed by the administration department.

The contract or notional amounts of derivatives which are shown in the below table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

The Company had the following derivatives contracts outstanding at March 31, 2009 and 2008:

	(Millions of Yen)					
	2009			2008		
	Contract Amount	Fair Value	Unrealized Gain / Loss	Contract Amount	Fair Value	Unrealized Gain / Loss
Foreign exchange forward contracts:						
Buying	¥1,556	¥1,576	¥20			
Selling	(143)	(147)	(4)			
Commodity futures:						
Buying	3,278	3,355	77	¥2,610	¥2,721	¥111
Selling	(3,167)	(3,348)	(181)	(2,172)	(2,201)	(29)

	(Thousands of U.S. Dollars)		
	2009		
	Contract Amount	Fair Value	Unrealized Gain / Loss
Foreign exchange forward contracts:			
Buying	$15,840	$16,044	$204
Selling	(1,456)	(1,496)	(40)
Commodity futures:			
Buying	33,371	34,155	784
Selling	(32,241)	(34,083)	(1,842)

Fair value is calculated based on the futures price. Derivative contracts which qualify for hedge accounting for the years ended March 31, 2009 and 2008 are excluded from the disclosure of market value information.

14. RELATED PARTY TRANSACTIONS

Transactions with related parties for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2009	2008	2009
ITOCHU Corporation, shareholder:			
Purchases	¥50,318	¥96,758	$512,247
Acquisition of stock of consolidated subsidiary		215	
Trade notes and trade accounts payable	13	8,347	132
Succeeded assets by the spin-off	51,989		529,258
Succeeded liabilities by the spin-off	51,334		522,590
ITOCHU Petroleum Japan Ltd., sister company			
Succeeded assets by the spin-off	¥25,155		$256,083
Succeeded liabilities by the spin-off	22,273		226,743

15. CONTINGENT LIABILITIES

At March 31, 2009, the Group had the following contingent liabilities:

	Millions of Yen	*Thousands of U.S. Dollars*
Guarantors of lease debt of Maruso Sekiyu Co., Ltd. and other 21 companies	¥66	$672
Securitization of trade notes receivable	391	3,980
Securitization of trade accounts receivable	316	3,217

16. SUBSEQUENT EVENTS

(1) Dividends

The following appropriations of retained earnings, which have not been reflected in the accompanying financial statements for the year ended March 31, 2009, were approved at a general shareholders' meeting held on June 23, 2009:

	Total dividends		Dividends per share			
Type of shares	*(Millions of Yen)*	*(Thousands of U.S. Dollars)*	*(Yen)*	*(U.S. Dollars)*	Record date	Effective date
Common stock	¥935	$9,518	¥8	$0.08	March 31, 2009	June 24, 2009

(2) Business Transfer of Liquid Petroleum Gas Operation

On April 1, 2009, the Group and Japan Gas Energy Corporation ("J Gas Energy") entered into a basic agreement under which the Company carried out a business transfer of a liquid petroleum gas (LPG) operation to J Gas Energy on the same day.

The Company had already entered into the consolidation-type merger agreement between Japan Energy Corporation ("J Energy"), Itochu Corporation, Osaka Gas Co., Ltd, and Nissho Petroleum Gas Corporation (Nissho) on October 31, 2008 to merge the operation of import and wholesales of LPG and shareholders approved the agreement on January 30, 2009. The purpose to merger is to create an LPG business group that will be capable of efficiency providing a stable supply of LPG products and improving service quality to customers across the entire range of LPG operations from overseas procurement to retail sales.

(a) Outline of J Gas Energy

Paid-in-Capital: ¥3,500 million ($35,631 thousand)

Business description: Import, sales and wholesale of LPG
Prospective Sales amount: ¥160,000 million ($1,628,830 thousand)/year
Prospective Import Volume: 1.5 million tons/year
Prospective Sales Volume: 2.25 million tons/year
Shareholders: J Energy 51%, Nissho 29%, the Company 20%

(b) Business, transferred to J Gas Energy
Wholesale business of LPG operations by bulk tank track

(c) Amounts of assets and liabilities transferred to J Gas Energy
Assets: ¥96 million ($977 thousand), Liabilities: Nil

(d) Amounts of the business transferred to J Gas Energy
¥3,077 million ($31,324 thousand)

17. SEGMENT INFORMATION

The Company operates in the following industries:

Industrial Material consists of energy and material supplies for customers, high-pressure gas productions, asphalt, cement, liquefied natural gas (LNG), and sales of urea aqueous solution.

Car Life consists of sales and services for car owners centered mainly on car-life-stations such as gasoline, heating oil, light diesel oil, heavy fuel oil, grease, automobile supplies, car inspection, maintenance, used cars.

Trade consists of trading petroleum products, domestic demand and supply adjustments, chartering and operating tankers, supply of marine fuels, trading lubricating oil, logistics and operations of petroleum storage.

Home Life consists of sales of goods and services relating to family lives such as liquefied petroleum gas, equipment (combustion, kitchen, air conditioning, household equipments), commodities, catalogue merchandise, communication devices, books, and sundries.

Information about industry segments, geographical segments and sales to foreign customers of the Company and subsidiaries for the years ended March 31, 2009 and 2008, were as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen						
	2009						
	Industrial Material	Car Life	Trade	Home Life	Total	Eliminations / Corporate	Consolidated
Sales to customers	¥ 136,985	¥ 816,346	¥ 87,103	¥ 124,274	¥1,164,708		¥ 1,164,708
Intersegment sales	60	1,889	15,381		17,330	¥ (17,330)	
Total sales	137,045	818,235	102,484	124,274	1,182,038	(17,330)	1,164,708
Operating expenses	133,579	811,301	102,081	122,286	1,169,247	(14,420)	1,154,827
Operating income	¥ 3,466	¥ 6,934	¥ 403	¥ 1,988	¥ 12,791	¥ (2,910)	¥ 9,881

b. Total assets, Depreciation, Impairment loss and Capital Expenditures

	Millions of Yen						
	2009						
	Industrial Material	Car Life	Trade	Home Life	Total	Eliminations / Corporate	Consolidated
Total assets	¥ 16,955	¥ 111,794	¥ 21,829	¥ 44,560	¥ 195,138	¥ 52,449	¥ 247,587
Depreciation	335	3,311	110	1,360	5,116	517	5,633
Impairment loss		283		3	286		286
Capital expenditures	666	6,668	161	1,166	8,661	584	9,245

a. Sales and Operating Income

	Thousand of U.S. Dollars						
	2009						
	Industrial Material	Car Life	Trade	Home Life	Total	Eliminations / Corporate	Consolidated
Sales to customers	$1,394,533	$8,310,557	$886,725	$1,265,133	$11,856,948		$11,856,948
Intersegment sales	611	19,230	156,582		176,423	$ (176,423)	
Total sales	1,395,144	8,329,787	1,043,307	1,265,133	12,033,371	(176,423)	11,856,948
Operating expenses	1,359,859	8,259,198	1,039,204	1,244,895	11,903,156	(146,798)	11,756,358
Operating income	$ 35,285	$ 70,589	$ 4,103	$ 20,238	$ 130,215	$ (29,625)	$ 100,590

b. Total assets, Depreciation, Impairment loss and Capital Expenditures

	Thousand of U.S. Dollars						
	2009						
	Industrial Material	Car Life	Trade	Home Life	Total	Eliminations / Corporate	Consolidated
Total assets	$172,605	$1,138,084	$222,224	$453,629	$1,986,542	$ 533,941	$ 2,520,483
Depreciation	3,410	33,707	1,120	13,845	52,082	5,263	57,345
Impairment loss		2,881		31	2,912		2,912
Capital expenditures	6,780	67,882	1,639	11,870	88,171	5,945	94,116

a. Sales and Operating Income

	Millions of Yen					
	2008					
	Industrial Material	Car Life	Home Life	Total	Eliminations / Corporate	Consolidated
Sales to customers	¥ 133,812	¥824,916	¥ 135,024	¥ 1,093,752		¥ 1,093,752
Intersegment sales						
Total sales	133,812	824,916	135,024	1,093,752		1,093,752
Operating expenses	131,811	817,843	132,659	1,082,313	¥ 3,739	1,086,052
Operating income	¥ 2,001	¥ 7,073	¥ 2,365	¥ 11,439	¥ (3,739)	¥ 7,700

b. Total assets, Depreciation, Impairment loss and Capital Expenditures

	Millions of Yen					
	2008					
	Industrial Material	Car Life	Home Life	Total	Eliminations / Corporate	Consolidated
Total assets	¥ 26,619	¥127,193	¥ 55,543	¥ 209,355	¥ 45,772	¥ 255,127
Depreciation	260	2,908	1,507	4,675	479	5,154
Impairment loss		104	33	137		137
Capital expenditures	541	3,613	1,701	5,855	329	6,184

Notes:

As discussed in Note 2.d, the Company applied ASBJ Statement No.9, “Accounting Standard for Measurement of Inventories”, effective April 1, 2008.
As a result of this change, operating income for Industrial Material, Car Life and Trade for the year ended March 31, 2009 decreased by ¥5 million ($51 thousand), ¥103 million ($1,049 thousand), and ¥549 million ($5,588 thousand), respectively.

The Company assumed the petroleum products trade business and logistics business for petroleum products from ITOCHU Corporation and ITOCHU Petroleum Japan Ltd. during the year ended March 31, 2009. This petroleum products-related business was recorded in the newly added segment of “Trade”. As a result of this change, total assets for Trade increased by ¥21,829 million ($222,223 thousand) as of March 31, 2009.

(2) Geographical Segments

Information on the geographical segments is not presented due to the immateriality of the Companies’ overseas operations.

(3) Sales to Foreign Customers

Information on the sales to foreign customers is not presented due to the immateriality of the Companies' overseas sales compared with consolidated net sales.

18. SPECIAL PURPOSE ENTITIES WITH DISCLOSURE REQUIREMENT

The Company transferred all of the investment in a silent partnership, the special purpose entity in the form of a special limited liability company which was used to utilize its corporate headquarter building to secure access to stable funding in March 2003, of ¥ 250 million ($2,545 thousand) to ORIX Real Estate Corporation for ¥1,651 million ($16,807 thousand) on April 2, 2008. There is no balance of investment in special purpose entity as of March 31, 2009.

Amount of transaction with the special purpose entities during the year ended March 31, 2008 was as follows:

	Millions of Yen		
	Amount of transaction or balance as of March 31, 2008	Gains and losses (Item)	(Amounts)
Investment in the silent partnership	250	Dividend	36
Rental transaction		Lease payment	238

19. BUSINESS COMBINATION

(1) Acquisition of Petroleum Sales Business of Konan Co., Ltd.

The Company has expanded its business through business combinations, such as M&A, under a strategy of "quantitative expansion accompanied by quality improvement" in an increasingly unfavorable business environment, which is a result of slowing demand for petroleum products caused by growing environmental concerns and high crude oil prices. This acquisition is based on the strategy and the Company believes this enables it to expand its business by incorporating corporate culture, human resources and physical assets developed by Konan Co., Ltd. ("Konan").

On September 1, 2008, the Company acquired the wholesale business of petroleum from Konan, and as part of the acquisition, stock of Konan's subsidiary, Kohnan Fleet Corporation ("Kohnan Fleet") to become its wholly owned subsidiary.

The consolidated financial statements for the year ended March 31, 2009 include the results of the operations for the acquired business for the period from October 1, 2008 through March 31, 2009.

(a) Companies subject to business combination and name of following the business combination

Acquired company: Konan Co., Ltd.
Acquiring company: ITOCHU ENEX CO., LTD.
Name of following business combination: ITOCHU ENEX CO., LTD.

(b) Acquisition cost and details

	Millions of Yen	*Thousands of U.S. Dollars*
Purchase price	¥7,050	$71,770
Direct cost related to the acquisition	177	1,802
Total acquisition cost	¥7,227	$73,572

(c) Amount of goodwill and method of amortization

The Company accounted for this business combination by the purchase method. In connection with the acquisition, ¥ 3,528 million ($ 35,916 thousand) was assigned to goodwill and the amount is amortized equally over 5 years. The reason for goodwill is the excess of the acquisition cost over the fair value of the net assets of the acquired business. Acquired assets include 80 % of voting share of Kohnan Feet, which operates a petroleum sales business.

(d) Basis of calculation for consideration

The consideration was determined through valuation analysis, such as discount cash flow ("DCF") method, multiple method and adjusted net assets method, conducted by Nikko Cordial Securities Inc ("Nikko Cordial"). The agreement was reached through discussion between related parties by referencing the results of these calculations.

(2) Succession of the Petroleum Products-Related Businesses

On October 1, 2008, the Company assumed the petroleum products-related business from Itochu Corporation ("ITOCHU") and ITOCHU Petroleum Japan Ltd. ("IPCJ"), one of ITOCHU's wholly owned subsidiaries.
The business assumed its domestic sales and export/import business in Japan of petroleum products (e.g. kerosene, gas oil) engaged in by energy trade devision of ITOCHU and the logistics business for petroleum products engaged in by IPCJ for the chartering and operating of tankers, the supply of marine fuels, the operation of petroleum storage tans and trading of lubricating oil.

The domestic petroleum product market faces drastic changes in the supply-demand structure due to the high rise of crude oil prices, a dwindling population, global warming and other factors. On the other hand, overseas emerging markets centering on Asia have seen a steady expansion of demand, supported by high economic growth rates.
In these circumstances, the Company, which has mainly engaged in sales of petroleum products in Japan, has come to recognize that taking initiative to reverse the falling growth rate of domestic demand with global business expansion is a key to any new growth strategy. Based on this common recognition with related parties, the Company aims to achieve synergies such as enhanced distribution function of petroleum products, the advantage of scale and improvement of operational efficiency by integrating the domestic petroleum product distribution business of related parties.

(a) Assumed businesses, companies subject to business combination and name of following the business combination

Assumed business:

1) Trade business for petroleum products of ITOCHU – Domestic sales and export/import business in Japan of petroleum products (e.g. kerosene, gas oil) engaged by energy trade division of ITOCHU.
2) Logistics business for petroleum products of IPCJ – the chartering and operating of tankers, the supply of marine fuels, the operation of petroleum storage tanks and trading of lubricating oil.

Name of following business combination: ITOCHU ENEX CO., LTD.

(b) Shares issued related to the business combination

The Company issued 11,755,952 shares of its common stock (7,131,666 shares of newly issued shares and 4,624,286 shares of its treasury stock) to ITOCHU as consideration. The Company issued 13,392,857 shares of its common stock to IPCJ as consideration.

(c) Accounting procedures implemented

The Company accounted for this business combination according to the Accounting Standards for Business Combinations in Japan (Business Accounting Council, October 31,2003) and the Implementation Guideline on Accounting Standard for Business Combinations and Accounting standard for Business Divestitures (ASBJ Guidance No.10, revised November 15, 2007).

(d) Basis of calculation for allotment of shares

The Company commissioned Nikko Cordial and ITOCHU commissioned Nomura Securities Co., Ltd. ("Nomura Securities") to calculate the number of shares to be allotted.

Nikko Cordial adopted the average market share price method and DCF method in the valuation of numbers of shares allotted and adopted multiple method and DCF method in valuation of the assumed business of ITOCHU and IPCJ. Nomura Securities the adopted multiple method and DCF method in the valuation of the assumed business of ITOCHU and IPCJ, and in addition to these two methods, adopted the average market share price method in the valuation of numbers of shares allotted. IPCJ also received the calculation results prepared by Nomura Securities from the intermediary of ITOCHU.

The agreement was reached through discussion between related parties by referencing the results of these calculations.

(e) Estimated fair value of assets acquired and liabilities assumed

Trade business for petroleum products of ITOCHU:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 51,866	$ 528,006
Non-current assets	123	1,252
Total assets	¥ 51,989	$ 529,258
Current liabilities	¥ 51,334	$ 522,590
Non-current liabilities		
Total liabilities	¥ 51,334	$ 522,590

Logistics business for petroleum products of IPCJ:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 23,081	$ 234,969
Non-current assets	2,074	21,114
Total assets	¥ 25,155	$ 256,083
Current liabilities	¥ 22,056	$ 224,534
Non-current liabilities	217	2,209
Total liabilities	¥ 22,273	$ 226,743

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
ITOCHU ENEX CO., LTD.:

We have audited the accompanying consolidated balance sheets of ITOCHU ENEX CO., LTD. and consolidated subsidiaries (the "Company") as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ITOCHU ENEX CO., LTD. and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 23, 2009

Member of
Deloitte Touche Tohmatsu

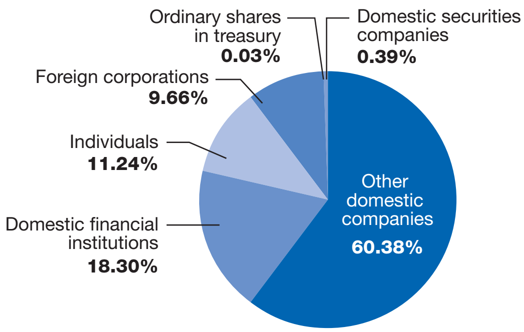
Shareholder Information

(As of March 31 , 2009)

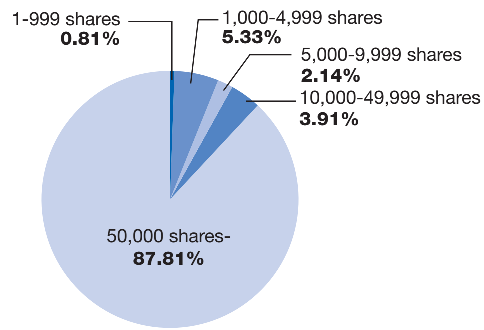
Total Shares and Shareholders

Number of shares authorized to be issued	387,250,000
Number of shares issued and outstanding	116,881,000
Number of shareholders	8,683
Trading unit of shares	100 shares

Shareholders, by type



Shareholders, by the number of shares held



Principal Shareholders

Shareholder	Number of shares held (thousands)	Investment ratio (%)
Itochu Corporation	60,947	52.16
Japan Trustee Services Bank, Ltd. (trust account)	3,889	3.33
Japan Trustee Services Bank, Ltd. (trust account 4G)	3,332	2.85
Enex Fund	2,533	2.17
Nippon Life Insurance Company	2,203	1.89
The Master Trust Bank of Japan, Ltd. (trust account)	2,053	1.76
The Sumitomo Trust & Banking Co., Ltd.	1,974	1.69
Sinanen Co., Ltd.	1,570	1.34
JAPAN ENERGY CORPORATION	1,452	1.24
Itochu Enex Employee Shareholding Association	1,385	1.19

Business Procedures/Others

Listed stock exchange	Tokyo (Security name: ENEX)
Stock code	8133
Method of notification	Publication on the Company's homepage http://www.itcenex.com/english (In the event that public notice cannot be made via the Internet, the *Nihon Keizai Shimbun* newspaper will be used.)
Accounting period	Ending March 31 of every year
Important dates	Ordinary general meeting of shareholders: June Year-end dividend: March 31 Interim dividend: September 30

Medium-term business plan of the ITOCHU ENEX Group

Core & Synergy 2010

To the next stage via the implementation of reforms

ITOCHU ENEX CO., LTD.

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